

FINANCIAL TIMES

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D 8523 B

Australia rushes overseas for resources, Page 12

Algeria	Sh. 18	Indonesia	Rp 2500	Portugal	Esc 100
Bahrain	Dh 1.50	Italy	L. 1200	S. Arabia	R. 6.00
Belgium	Bfr 35	Japan	¥500	Singapore	S\$ 4.10
Canada	C\$ 1.00	Jordan	Jds 2.00	Spain	Ptas 160
Ceylon	C\$ 1.00	Kuwait	Kds 1.00	Sweden	Skr 6.50
Denmark	Dkr 1.25	Lebanon	L. 1.00	Switzerland	Sfr 7.00
Egypt	E£ 1.00	Luxembourg	Lfr 30	Taiwan	Nt\$ 40.00
France	Ffr 5.50	Malaysia	M\$ 4.25	Turkey	L. 1.00
Germany	DM 2.20	Morocco	M\$ 6.00	U.A.E.	Dhs 2.00
Greece	Dr 100	Netherlands	fl 2.50	U.S.A.	\$ 1.00
Hong Kong	H\$ 1.00	Norway	Nkr 8.00		
India	Rs 15	Philippines	Php 20		

NEWS SUMMARY

GENERAL

Student unrest on West Bank

Israeli soldiers fired tear gas at demonstrating students at Bethlehem university as tension rose on the West Bank in the wake of Sunday's rocket attack on an Arab bus, which left one Palestinian dead and ten injured.

The fierce confrontation overshadowed talks between Sir Geoffrey Howe, the British Foreign Secretary, and Israeli leaders, during which Mr Shimon Peres, Israel's Prime Minister, rejected a role for the Palestinian Liberation Organisation in peace talks and British disapproval of Israeli West Bank settlements.

Egypt's President Hosni Mubarak, on a visit to Paris, said any Arab move towards a settlement of the Middle East conflict would have to wait until after the U.S. presidential election. Page 3, 4

Divers seek priest

Polish police divers searched the River Vistula, and a reservoir for the body of pro-Solidarity priest Father Jerzy Popieluszko, who was kidnapped by three security officials. Page 3

Turks ease laws

Turkish martial law authorities announced the lifting of restrictions on strikes, lockouts and layoffs, imposed after the 1980 military coup, in major cities including Ankara and Istanbul.

Threat to ships

The Lebanese army said it would sink any ship carrying a ban on eight illegal ports that are said to be draining state revenues of about \$bn Lebanese pounds (\$375m) a year.

126 missing

Coastguards reported that 126 people were missing after a Philippine passenger and cargo vessel with nearly 200 people aboard sank in bad weather.

Sweets blow

Morinaga, the Japanese confectionery company, has been hit by a gang of 100 workers who are said to be cutting production by 90 per cent next month. It expects sales to fall 70 per cent in November compared with last year.

Airlift aid

After criticism by a top Ethiopian official, Britain might send at least two aircraft to famine-hit Ethiopia for three months to help with distribution of food. Government sources said. Page 4

Spoils of war

Two former British soldiers who served in the Falklands War were sentenced to 18 months in prison for attempting to sell captured Argentine weapons. Police recovered four Argentine rifles and pistols, other weapons and Argentine bullets, which the four men were trying to sell for a total of \$2,783.

Smugglers hanged

Thirty-three drug smugglers found guilty of handling 72,000 kg of narcotics were hanged in the east Iranian town of Zahedan.

'No petrol' warning

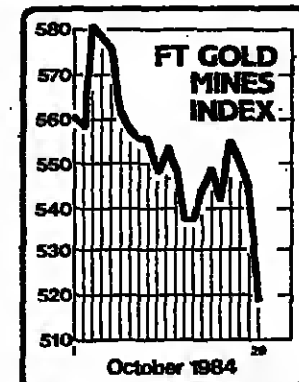
Iceland's oil companies said petrol stocks at the pumps would run out in two days after striking public sector workers blocked supplies from fuel depots.

BUSINESS

Reckitt in move to halt Kiwi meeting

RECKITT & COLMAN, the diversified UK group, is taking legal action in Melbourne today to postpone a crucial shareholders' meeting to decide the fate of the Australian group Nicholas Kiwi. Reckitt has bid U.S.\$313m for Kiwi but has been locked in battle with the Chicago-based Consolidated Foods Corporation, which wants to buy the group's non-Australasian interests. Page 14

WALL STREET: Dow Jones industrial average closed 3.54 down at 1,201.41. Section III



GOLD fell \$2 on the London bullion market to \$335.75. It was also lower in Frankfurt at \$336.825 and in Zurich at \$336.25. Page 34

DOLLAR was firmer in London rising to DM 3.0725 (DM 3.0715), SwFr 2.521 (SwFr 2.497), FFf 94.125 (FFf 93.3) and £346.65 (£345.35). On the London market, the trade-weighted index rose to 142.1 from 141.2. In New York it was DM 3.067, FFf 94.975, SwFr 2.517 and £246.55. Page 35

STERLING was on the whole weaker in London, falling 1.25 cents to \$1.598. It also weakened to FFf 113.775 (FFf 114.4) and £297.25 (£300.0), but rose to DM 3.715 (DM 3.705) and SwFr 3.0475 (SwFr 3.0425). Its exchange rate index dropped to 74.9 from 75.1. In New York it was \$1.2055. Page 35

FRANKFURT shares were unsettled by the Flick affair. The Commerzbank index shed 11.8 to 1,062.0. Section III

TOKYO stocks traded cautiously, but the Nikkei-Dow market average managed a 25.96 gain to 11,176.93. Section III

LONDON equities reversed early losses, taking the FT Industrial Ordinary index 5.0 higher to 878.2. GtIs also firmed. Section III

RAND fell to an historic low of 50 U.S. cents before the South African central bank stepped in to halt the drop. It closed in Johannesburg at 52.75 cents.

SALEINVEST, Sweden's biggest shipping group, has started talks with its main creditors in an attempt to delay repayments of about SKr 250m (\$26.5m) on outstanding loans of about SKr 3.4bn. Page 14

FORD edged into the lead in West European car sales after nine months, with 21,500 registrations giving it a 13.1 per cent market share. Nearest rival Fiat had a 12.9 per cent share. Page 5

NOVA-PARK, the troubled Swiss hotel group which has been the subject of a battle between rival shareholders, is to be reorganised with the help of merchant bank Kleinwort Benson. Page 16

GEORGIA PACIFIC, the U.S. forest products group, reported sharply higher third-quarter earnings of \$218m against \$28m the previous year.

REGAL HOTELS, the heavily indebted Hong Kong group, is planning a rights issue and share sale expected to raise HK\$400m (U.S.\$51m) as the final stage of its rescue by Australian entrepreneur Bill Wylie. Page 17

Opinion polls back Reagan on the home stretch

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan yesterday entered the home stretch before next Tuesday's U.S. election buoyed by what looked like an unbeatable lead in the opinion polls.

With one week of campaigning to go, a flurry of new polls put his margin of victory over Mr Walter Mondale, the underdog Democratic challenger, at between 17 and 24 percentage points.

Mr Mondale, saying that he did not believe the poll figures, set out to barnstorm non-stop around the country for the final eight days in a desperate bid to stage a comeback on November 6.

Ms Geraldine Ferraro, his vice-presidential running mate, said in a

national television interview: "It's do-able."

The pollsters pointed out, however, that Mr Reagan's lead was approaching the 26 per cent held by President Richard Nixon at this stage in 1972, before he overwhelmed his Democratic challenger, Mr George McGovern, by 23 per cent of the popular vote.

The polls were so favourable that the White House again felt obliged to caution Republican voters against over-confidence. Mr James Baker, the White House chief of staff, warned Reagan supporters not to assume that a landslide victory was "already in the bag" and said: "We don't take victory for granted."

Mr Reagan was campaigning in Pennsylvania and West Virginia yesterday, "running like he's one point behind", Mr Baker said. With 10 other states left on his list, however, Mr Reagan was concentrating equally on helping Republican candidates to maintain control of the Senate. Vice-President George Bush was assigned to Republican races for the House of Representatives.

Ms Ferraro claimed that the national polls did not reflect the intensity or the full strength of Democratic support in the most important states. She said that the Democrats would repeat the upset victory by Governor Mark White of Texas in 1982, who came from 12 points

behind on the day before polling to win by six points.

Nevertheless, the latest survey by U.S. News and World Report showed Mr Reagan leading in 45 of the 50 states, and "on the way to a smashing victory."

A USA Today poll yesterday put Mr Reagan's lead at 23 points, down from 25 points in the same poll ten days previously.

Time magazine put Mr Reagan ahead by 24 points and Newsweek gave him a 17 point lead, as did the latest National Public Radio poll conducted by Louis Harris.

A new CBS-New York Times poll gave Mr Reagan an 18-point lead, up from 13 points earlier in the month.

The Mondale campaign opted to spend much of the remaining time focusing on basic campaign themes of arms control, human rights and the need to raise taxes to close the budget deficit.

It screened a five-minute national television commercial featuring young children, nuclear explosions and a red telephone hot-line, presenting the election as a referendum on arms control.

Mr Mondale drew some comfort from a series of strong endorsements from leading newspapers, including the New York Times and the Washington Post, both of which unenthusiastically backed President Jimmy Carter in his losing race against Mr Reagan in 1980.

Opec allocations still a hurdle as need for output cut is agreed

BY RICHARD JOHNS IN GENEVA

THE CONFERENCE of the Organisation of Petroleum Exporting Countries agreed last night to lower the ceiling on their collective oil output to 16m barrels a day from the current output of about 17.5 million b/d.

Dr Subroto, Indonesia's Oil Minister, who chaired the meeting, said other issues remained to be resolved. He did not specify them but clearly one is the allocation of reduced quotas among the Opec members and another is the question of revised price differentials.

The United Arab Emirates' demand for an immediate revision of crude oil differentials could still complicate final agreement on the action required to defend Opec's present reference price of \$29 a barrel in face of discounts now offered by Norway's Statoil company and price cuts proposed by the British-National Oil Corporation.

Nevertheless the general expectation among seasoned delegates in Geneva for Opec's emergency meeting was that the settlement of the problem of price relativities, recognised as a major factor undermining the market and encouraging discounts, might be deferred until the end of the year.

A committee of experts appointed by the last Opec conference in July is supposed to complete proposals for a revision of differentials for submission to the next ordinary conference scheduled for December 7 in Geneva.

Deferment until then could prompt the UAE to take unilateral action by trimming the official selling rate for Abu Dhabi Murban



Dr Manaj Said al-Otaibi

crude by about 50 cents from the existing level of \$29.56. It had planned to do this before the present crisis was precipitated by Statoil's offer of a \$1.35 discount to its customers.

Dr Manaj Said al-Otaibi, United Arab Emirates' Minister of Oil, was once again adamant that the differentials should be narrowed now as part of a deal. Abu Dhabi could not wait until the price of heavy crude was raised, he told the CBS TV network in an interview yesterday.

Saudi Arabia has set its face against a revision of differentials for the time being, having given it a big advantage in the market by increasing the proportion of Arabian Heavy crude from 20 per cent

to 35 per cent in its export packages. This move is regarded as a significant factor in destabilising the market since the beginning of October.

At the opening session yesterday there was much verbal recrimination. Sheikh Ahmed Zaki Yamani, the Saudi Minister of Oil, came under attack, not the least on account of his Government's oil barter deal involving the purchase of Rolls-Royce-powered Boeing 747s, which was largely responsible for shaking the market and depressing spot prices in mid-summer.

Dr Tam David-West, the Nigerian Minister of Oil, also found himself under fire because of Lagos' decision to reduce prices by \$1 to \$2 a barrel in response to the British and Norwegian moves. He refused to make any pledge about rescinding the price cuts but stressed his country's devotion and solidarity to Opec, as well as reading a letter of explanation from President Babu of Nigeria.

Sheikh Yamani told reporters that the collective cut in output should be made from the 17.5m b/d ceiling set in March 1983, one frequently exceeded in practice. Subsequently yesterday, the price paid for Brent Blend, the North Sea reference crude, slipped from \$28.12 to \$27.90.

Traders saw this as a clear indication that more decisive action by Opec is required if the necessary psychological boost to the market is to be provided.

Continued on Page 14

UK onshore discovery, Page 6

UK coal board split exposes growing tension

BY JOHN LLOYD AND PETER RIDOELL IN LONDON

THE INTERNAL tensions within Britain's National Coal Board (NCB) over the miners' strike were exposed yesterday when Mr Ian MacGregor, the board's chairman, told Mr Michael Eaton, recently appointed to the NCB's key communications role, to cancel all his media engagements.

At the same time, the independent conciliation and arbitration service, Acas, announced that talks between the NCB and the NUM to try to settle the 34-week strike over planned pit closures, would resume tomorrow.

The silence announcement came as just as much a surprise to Mr Eaton, and to the Government, as had his appointment.

It is understood that Mr Eaton owes his extraordinary position as an incommunicado communicator to a bitter disagreement within the board over his appointment and the scope of his duties.

Mr James Cowan, the deputy chairman, and Mr Merrick Spanton, board member for personnel, had both threatened to resign on Monday last week if Mr Eaton - as he expected - accompanied the NCB negotiating team to talks on the dispute with the pit supervisors' union NCBs. The talks, last Tuesday, led to a settlement of the NCBs dispute.

It is thought likely that Mr Cowan's and Mr Spanton's continued hostility to Mr Eaton's presence lies behind his silencing.

Two different reasons were given for it. The first, from MacGregor, was said to be because of the "extraordinary developments" over the weekend.

This was a reference to the dis-

closure that Mr Roger Windsor, the NUM's chief executive, had visited Libya last week to meet union leaders and Colonel Muammar Gaddafi, the leader of the regime.

The visit has been condemned by, among others, Mr Neil Kinnock, leader of the UK opposition Labour Party, and Mr Norman Willis, general secretary of the Trades Union Congress.

The second reason for Mr Eaton's silence was given by Mr Eaton himself. He said that "in the light of the forthcoming talks (with the NUM) the board will not make any statements until after the discussions."

The incident, although trivial enough in itself, is seen by ministers and others as an indication of the confusion and tension which presently surrounds top-level board decisions.

Many senior executives are showing a loss of confidence in Mr MacGregor and Mr Cowan, who together constitute the "office of the chief executive." The cause is not the board's policy of seeking to reduce capacity and close uneconomic pits, but the public presentation of its case, its style and internal relationships.

Mr Peter Walker, the Energy Secretary, told the House of Commons yesterday that he had confirmed that Mr Eaton "happily remains at his duties and very much agrees that it was perfectly right to cancel certain press engagements while the board examined the position following the disclosures at the weekend."

Continued on Page 14

A long week at the coal board, Page 5

W. German Greens given boost in polls

By Peter Bruce in Bonn

WEST GERMANY'S radical Greens Party appears to have made an impressive show of force in local elections in Baden-Württemberg, according to early returns from Sunday's poll.

Most of the gains are at the expense of the Free Democrats (FDP), the junior partner in the Bonn coalition.

In a low poll, however, all the traditional parties appear to have lost ground in what is being seen as the first major test of public opinion since the Flick affair claimed its second major political victim, Bundestag president Rainer Barzel, last week.

The complicated vote, with voters in some large cities like Stuttgart being asked to make up to 80 separate choices, means that final results will probably not be known until Friday. The Greens seem likely to take about 7 per cent of the vote across the state and up to 11 per cent in the cities.

The FDP, which suffered a similar fate at the hands of the Greens in the local elections in North Rhine-Westphalia earlier this month, could see its state vote fall to below 5 per cent in Baden-Württemberg, traditionally a Liberal stronghold.

The FDP, which took 5.3 per cent of the vote in the last local elections in 1980, is believed to have slumped from 7.3 per cent to 2.5 per cent in Heidelberg this time and from 9.8 per cent to 1.1 per cent in Stuttgart.

The Christian Democrats, however, will have little trouble retaining overall domination within the state, although their vote also appears to have fallen 3 per cent to about 37 per cent.

The Social Democrat vote is likely to fall below 30 per cent, although in the absence of a Green slate, the Bonn opposition has scored significant gains in Murlingen, where the Government has allowed the U.S. to station Pershing 2 nuclear missiles.

The Flick payments scandal, which forced the resignations of Herr Barzel and Count Otto von Lamsdorf, the former economics minister, continued to rumble on over the weekend, with reports that Chancellor Helmut Kohl had accepted money from the Flick industrial empire.

Chancellor Kohl, who is due to appear before the parliamentary committee taking evidence on the Flick payments next week, is seeking a full Bundestag debate.

A spokesman for the Chancellor said yesterday that the debate would probably be held in November.

Stock markets, Section III.

French banks give cautious welcome to easier loan rules

BY DAVID MARSH IN PARIS

THE FRENCH Government is to allow banks greater competitive leeway in their lending activities next year, after the 12-year-old endowment system of credit ceilings is phased out at the end of 1984.

The move to scrap the system, which has become increasingly cumbersome and ineffective and has run into growing criticism from the Bank of France, was given a cautious welcome by the banking community.

Under a new regulatory mechanism based on depositing of bank reserves at the Bank of France, however, the Government will maintain tight control in a bid to keep money supply growth next year down to around the planned 5 per cent inflation rate.

This was made clear yesterday by M Pierre Bergey, the Finance Minister, who said the ending of credit ceilings was part of a bid to give "more responsibility and freedom" to the mainly nationalised banking sector. He hoped it would prepare the way for cuts in interest rates next year.

In particular, the new system will allow banks to increase their lending potential in direct line with improvements in their capital resources. This forms part of a general move by the Government to encourage banks to boost their capital backing, which is well below international norms.

Banks are, however, still in considerable doubt over the extent to which the new arrangements will increase their freedom of action. One leading banker at a top French nationalised bank said yesterday: "I don't expect there will be much difference."

Talks between M Daniel Lebegue, the director of the Treasury, M Renaud de la Geniere, Governor of the Bank of France, and representatives of the banks, are to start tomorrow to flesh out details of the system.

M Jean Dromer, chairman of the French Banking Association, who was among leading bankers to have a preliminary meeting with M Bergey yesterday, said that the general principles of the measures

seemed "positive" but a fuller assessment would have to wait until the "rules of the game" were spelled out.

M Bergey said the new system would be intermediary between the previous scheme of setting quantified norms and arrangements in force in the U.S. and Britain, allowing loan expansion to be dictated purely by movements of interest rates.

The 4 to 6 per cent growth target for the M2 money supply next year represents a tightening compared with this year's target of between 5.5 and 6.5 per cent. Figures just issued for the first six months of the year indicate that growth is on target so far.

In spite of very severe endowment levels, most banks this year have been operating well within their ceilings. This reflects slack loan demand caused by the sluggish economy, increased corporate liquidity and greater funding on the financial markets.

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WERE AIMING EVEN HIGHER

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EUROPEAN NEWS

Call to the colours in Sweden

By Kevin Doss, Nordic Correspondent, in Stockholm

MR ULF ADELSSON, leader of the Swedish Conservative Party, called yesterday on the other non-Socialist parties to close ranks to fight the ruling Social Democrats in next year's general election.

The three non-Socialist parties—the Conservatives together with the Centre and Liberal parties—held office from 1976 to 1982, breaking the Social Democrats' 44-year monopoly.

The period was marked by frequent in-fighting and repeated shifts in the make-up of successive coalition governments, however. Mr Adelson, as head of the biggest opposition party, is campaigning hard to give Swedish voters the impression that the non-Socialist opposition is no longer splintered.

"The overwhelming majority of non-Socialist voters are non-Socialist first and supporters of a particular party second. They bated it when we quarrelled among ourselves," he told the opening day of the Conservative party conference here.

The non-Socialist parties received a significant boost at the weekend with the publication of two opinion polls which placed them ahead of the Socialist bloc which comprises the Social Democrats and the Communists.

One shows the non-Socialist parties with 52 per cent compared with 46.5 per cent for the Social Democrats and Communists combined. The other gives the non-Socialist parties a much narrower lead with 48.5 per cent, against 46 per cent for the two Socialist parties.

A political picture has been complicated since the last election in September, 1982, by the recent decision by the Centre Party to enter into a technical election pact with the small Christian Democratic Alliance (KDS).

The KDS has never previously cleared the 4 per cent hurdle needed for representation in Parliament, but will appear on a combined ticket with the Centre Party.

While it is not expected to win more than 2-3 per cent of the votes, its share could just tip the balance against the Socialist parties.

Mr Ole Palm, the Social Democratic Prime Minister, has accused the Centre Party and Mr Thorbjörn Fälldin, its leader and a former premier of manipulating the constitution.

Polish divers search river for priest's body

By Christopher Bosinski in Warsaw

POLICE DIVERS yesterday searched the River Vistula near Torun in Poland, and a reservoir up-river, for the body of Fr Jerzy Popieluszko, the pro-Solidarity priest allegedly kidnapped by three Security Ministry officials, on October 19.

The search followed after a tense weekend in Warsaw which ended with Sunday services attended by tens of thousands of people at the priest's parish church in a northern suburb.

However Mr Janusz Onyszkiewicz, a former Solidarity spokesman now acting for a group of friends of the missing priest,

said yesterday he had no information about a strike of the nearby Warsaw steelworks. Leaflets calling for stoppages yesterday had been issued earlier by underground Solidarity groups.

"The public mood is very tense and sombre but not volatile," he said and noted that Mr Lech Walesa's appeal to refrain from stoppages for the time being had "probably had an effect." He thought an eventual funeral for the priest was unlikely to cause unrest, although he believed that the authorities would try to delay

it for as long as possible.

"The funeral would be a powerful manifestation of support for the ideal for which Fr Jerzy stood," he said—meaning the Solidarity Movement.

Meanwhile General Wojciech Jaruzelski, the Communist party leader, has attacked the hard-line wing in his closing speech at the weekend's central committee meeting, published yesterday. He called them "pseudo-principled reviewers of our policies and our efforts, intrigues and rumormongers who spread their babble both at home and

abroad."

He implied that the dogmatists were trying to push the party leadership into measures which would provoke resistance as they "did not take into account the popular mood, the scale of people's experiences, memories and doubts."

Should the party leadership decide to move on a wider scale against its internal rivals, the Popieluszko case has provided arguments that Government policy toward the population must be cautious and pragmatic, otherwise it risks a flaring of tension as at present.

East Europeans urged to have more children

By Leslie Collett in Berlin

THROUGHOUT EASTERN Europe, with the notable exception of Poland, governments are struggling to reverse declining birth rates.

In an attempt by Hungary to halt its shrinking population, the Government disclosed this month approved a series of childbearing incentives. Its population fell by 21,000 last year, the

appealed, at a special session of the country's health council, to the "patriotic obligation of every family to have more children."

In spite of draconian restrictions on abortions, however, the Government disclosed that the legal abortion rate last year was 421,000 out of 742,000 pregnancies.

Inadequate housing and a high percentage of women who go out to work in Eastern Europe are cited most frequently by demographers there as the main reasons for the declining birth rates. Couples in the most industrialised Eastern European countries also weigh having children against possessing a car and supplying it with petrol which is only possible with the help of the woman's income.

This is why the East German, Czechoslovak and Hungarian governments are tempting women to have children by offering improved maternity benefits and higher family allowances.

One result of the lavish benefits offered to single mothers in East Germany is that nearly one-third of all babies born there are delivered to unmarried mothers. East Germany now achieves a tiny excess of births over deaths but its overall population growth is still negative because of emigration to West Germany.

Low birth rates, however, are not a uniquely East European problem. Most Western European countries, with the exception of Italy, Spain and Portugal, also have stagnant or declining populations.

Action on Mid-East after U.S. poll, Mubarak says

By Paul Betts in Paris

PRESIDENT Hosni Mubarak of Egypt said yesterday there would be no concerted Arab move on the Middle East conflict until after the U.S. presidential elections.

After talks with President François Mitterrand in Paris yesterday, the Egyptian leader said that Arab countries were holding consultations on the general Middle East situation.

"After the U.S. elections, we will all start to act and European countries will be able to play an important role," Mr Mubarak said.

The Egyptian president said he had not asked President Mitterrand to take any personal message to Syrian leaders when he visited Syria last month. However, President Mubarak reiterated his hopes of a return to normal relations between Egypt and Syria.

President Mubarak also said he had not discussed with President Mitterrand the visit of Mr Shimon Peres, the Israeli leader, to Paris in December.

The Egyptian president said he had received renewed support from France for the Arab cause. "France has always backed and continues to

back the Arab cause," he remarked. President Mubarak indicated yesterday that it was too early to contemplate the possible revivification of the Franco-Egyptian UN Security Council resolution of 1982 calling for a negotiated settlement of the Palestinian problem based on the recognition of the right of existence of all the countries in the region, including Israel, and the right of the Palestinian people to self-determination.

President Mubarak is due to go to Bonn today for a three-day visit. Egyptian officials in Paris said President Mubarak's Paris and Bonn visits reflected the importance Egypt felt European countries could play in seeking a lasting solution to the Middle East conflict.

According to other Egyptian sources, President Mubarak is understood to be seeking to persuade European countries to put pressure on the U.S. to hold talks with the moderate wing of the Palestinian Liberation Organisation (PLO). But President Mubarak indicated that any concrete move would clearly have to wait until after the U.S. presidential vote.

Airline gets chance to justify its BAe choice

By Our Brussels Staff

THE ROW over whether Leeward Islands Air Transport (LIAT) should buy British or Franco-Italian aircraft with a grant from the European Community took a new twist yesterday, when the airline was given a further week to justify its preference for the British Aerospace Super 748.

The decision was announced by M Edgard Pisani, the European Commissioner for Development, whose department is responsible for administration of the proposed Ecu 26m (£15.6m) grant.

LIAT had been told that the European money would not be paid if it went ahead with its proposed purchase of the four Super 748s, on the grounds that the Franco-Italian ATR42 would be more economical in the long-run.

The Commission's effective veto of the British Aerospace contract has aroused furious allegations of pro-French bias from British politicians, and claims of undue interference from the Caribbean states involved—Trinidad, St Lucia, Grenada and Antigua.

Mr Pisani yesterday told a delegation, including Mr Michael Hindley, a Labour MEP, and representatives from British Aerospace and the Amalgamated Union of Engineering Workers, that LIAT would be given until the end of the week to produce figures to substantiate its insistence on the British aircraft.

He flatly denied any suggestions of undue interference in the contract. EEC officials have argued that LIAT should opt for the new and more economical technology being developed in the ATR 42, although it is still only at the development stage.

EEC entry forecast to pose problems for Spain-Portugal links

By Quentin Peel in Brussels

FUTURE MEMBERSHIP of Spain and Portugal in the European Community will cause a "fundamental redefinition" of the economic relations between the two states, with potential ramifications for the whole EEC, according to a report out yesterday.

The issue of bilateral relations with Spain may well become the most important single aspect of accession for Portugal, says the report, but no direct talks on the question have yet begun, and the two governments have not even defined their respective positions.

The report, published by European Research Associates in Brussels, emphasises the likely deterioration in Portugal's existing trade deficit with Spain, and the danger of direct foreign investment switching from Portugal to Spain, as two important negative aspects of the future bilateral relationship. It also stresses the extreme sensitivity of economic relations between the Iberian neighbours, and the low level of traditional ties, which could be radically altered by their simultaneous accession to the Community.

"A situation may develop in which any intensification of Portuguese-Spanish relations as a result of their integration into the EEC will cause their bilateral relationship to further deteriorate, because of real or even perceived damage caused by the neighbouring economy," it says. Obviously such a situation would also have direct repercussions on the overall process of European integration.

On trade relations, it suggests that proximity, cost advantages, some technological superiority and marketing expertise "may favour a substantial penetration of the Portuguese market by Spanish manufacturers."

It quotes a study by the Portuguese Ministry of Industry suggesting, however, that an increase in competition in both markets, rather than a unilateral Spanish invasion of the Portuguese market, may be expected, resulting in an increase in the absolute trade deficit, but not its relative size.

Current Portuguese exports to Spain amount to only 3 per cent of the country's total exports, while imports from Spain amount to only 7 per cent of all Portuguese imports, the report says.

On the question of foreign direct investment, it suggests that foreign investors in Spain are likely to be hit hardest by the opening of borders to EEC imports, because protection is currently greater. Such investors might then be tempted to reduce their Spanish operations to mere sales representations supplied from the existing Community.

However, this could be counter-balanced by greater EEC protectionism against imports from newly-industrialising countries in Asia, encouraging Japanese and U.S. companies to seek European manufacturing ventures, and choosing the Iberian peninsula as the base of low production costs.

Portugal could lose out in the investment, because it will have to remove its barriers against Spain, and the temptation of manufacturers will be to set up in the largest of the two markets and export to the smaller.

"Economic Relations between Spain and Portugal in a 12-nation European Community," European Research Associates, 39 Boulevard Clovis, 1040 Brussels. \$100.

Former IBH chief charged

THE FOUNDER and former chief executive of IBH Holding AG, the collapsed West German construction equipment group, Herr Horst Dieter Esch, will appear in court next month to face charges of breach of trust and contravention of company law. Herr Albert Farwick, Senior Public Prosecutor in Hanau, said.

He said the Prosecutors Office had decided to bring charges against Herr Esch in connection with his activities as head of the supervisory board of an IBH subsidiary, Wiban AG.

IBH, Wiban and a string of subsidiaries collapsed a year ago after its house bank, Schröder, Münchmeyer, Hengst und Co. (SMH) was found to be heavily over-extended with loans and had to be rescued.

Herr Esch has been in custody for questioning in connection with Wiban's collapse since March this year but formal charges had not been brought.

Herr Farwick said Herr Esch would appear in court in Hanau on November 29, with a series of six further daily hearings set until December 21. He is being charged under Paragraph 268 and 283 of the West German criminal code. The first is related to alleged breach of trust to the detriment of Wiban, the second to circumstances surrounding its filing for bankruptcy.

A third charge has been made under paragraph 406 of German company law and relates to information declared on Wiban.

The charges brought against Herr Esch by the Prosecutor's Office in Hanau relate only to his activities at Wiban, Herr Farwick said. The offences he is charged with carry a maximum prison sentence of 11 years.

Herr Farwick said Herr Esch was also the subject of investigations into the IBH holding company itself. These were being carried out by the prosecutors office in Koblenz. His relationship with SMH bank was being examined by the prosecutor's office in Frankfurt.

Herr Farwick added that both these series of investigations were expected to last for several months and charges had not yet been brought. Investigations into the chairman of Wiban, Herr Roland Spieker, in custody for questioning since January, are continuing. Charges have not been brought against Herr Spieker.

Reuter

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OVERSEAS NEWS

West Bank tension overshadows Howe's talks with Peres

BY DAVID LENNON IN JERUSALEM

TENSION ROSE sharply on the Israeli-occupied West Bank yesterday in the wake of Sunday's rocket attack on an Arab bus in Jerusalem in which one Palestinian died and 10 were injured.

A fierce day-long confrontation between students at Bethlehem University and Israeli soldiers in which tear gas was fired into the campus overshadowed the talks between Sir Geoffrey Howe, the British Foreign Secretary, and Israeli leaders.

It also undermined the claim by Mr Shimon Peres, the Prime Minister, in his meeting with Sir Geoffrey, that Israel was trying to improve the quality of life for Palestinians on the West Bank.

The attack on the Arab bus is believed to be the work of Jewish terrorists who were seeking revenge for last week's murder of two Israelis on the West Bank by a Palestinian refugee.

Sir Geoffrey is due to meet this morning with some West Bank Palestinian leaders and is likely to be told about their fears of a deterioration of relations between Arabs and Jews in the wake of the latest incident.

In his talks with the Foreign Secretary, Mr Peres disagreed with the British belief that the Palestinian Liberation Organisation must have a role in any settlement of the Arab-Israeli dispute. The Prime Minister said that any encouragement of the PLO simply posed an obstacle for realistic partners who might want to enter into the peace process.

Fierce overnight artillery duels in and around Beirut have apparently delayed government moves to strengthen security in the capital. Reuter reports from Beirut, the fighting, believed to be the worst since a security plan took effect in Beirut in July, came as the army was to begin taking control of a part of Beirut port illegally run by a Christian militia.

Last night's eight-hour battle, between the mainly Druse Progressive Socialist Party militia against the army and a Christian militia, spread from the mountains above Beirut into both sectors of the capital.

AP reports: The Syrian Government called Mr Walid Jumblatt, the Lebanese Druse leader, to Damascus yesterday to try to stop another outbreak of fighting in Lebanon.

This was not the only issue on which Sir Geoffrey and his host disagreed. Sir Geoffrey made clear Britain's disapproval of Israeli settlements on the West Bank and voiced the view that the Camp David accords had been overtaken by events and that the peace proposals of President Reagan two years ago appeared more realistic.

Despite Israeli rejection of such ideas, the atmosphere during the Secretary of State's visit has been described by both sides as very friendly.

Civilian aircraft to ferry food to Ethiopia

By Stephanie Gray

FOUR FLIGHTS by civilian airlines, each carrying up to 30 tonnes of relief supplies for Ethiopia's starving millions, are due to leave Britain by the end of the week.

Three of the flights will be carried out by British Airways and the fourth by the Red Cross, paid for by the British Government.

The Overseas Development Administration, aid arm of the Foreign Office, is seeking Ethiopian approval of ferry supplies by air from Ethiopian ports to inaccessible areas where millions of people are at risk from drought.

The decision to charter the aircraft was made after the Marxist Ethiopian Government effectively ruled out a British proposal to send two RAF Hercules for a month to distribute aid. Ethiopia appeared to be reluctant to have Western military aircraft overflying its territory, particularly the rebel areas of Eritrea and Tigre.

The agency is also considering chartering another civilian aircraft to fly supplies from Britain to Ethiopia.

Mr Timothy Raison, the Minister for Overseas Development, is meeting Mr Hugh Mackay, overseas director of the Save the Children Fund today, to discuss the plan.

Published by the United Nations Disaster Relief Co-ordinator yesterday described Africa's prolonged drought as "the worst human disaster in the recent history" of the continent, with 35m people in desperate need.

The report said 27 African nations were now listed as urgently needing external food aid and that overall, 36 countries face food shortages.

It confirmed that 6m people in Ethiopia were starving and said about 43 per cent of the country's 30.5m population was estimated to be malnourished.

Aid agency officials yesterday agreed privately with the view expressed at the weekend by Mr Charles Elliott, the former director of Christian Aid, that the British and U.S. governments had held back on aid for Ethiopia because of the Government's Marxist policies.

One official said that the fact Britain had no long-term bilateral development agreement with the Ethiopian Government lent credibility to the theory that aid had been strategic.

Reuter reports from Moscow: The Soviet Union is sending aircraft, trucks and other supplies to Ethiopia in a \$1m aid package, Moscow's envoy to Addis Ababa said yesterday.

Jurek Martin in Tokyo charts the likely course of Japanese foreign policy

No sea change, but waves may grow bigger

MR YASUHIRO NAKASONE made, by Japanese standards, a big foreign policy splash in his first year as Prime Minister. In the second year, the waves subsided to ripples, as conventional diplomacy reassured itself. Now that he is back for another term, what can Japan and the rest of the world expect next?

The events of the weekend, which led to Mr Nakasone being presented yesterday as the sole candidate for the leadership of the ruling Liberal Democratic Party, can be seen in one of two ways: either as a ritualistic drama, in which his opponents were permitted the freedom to criticise him before bowing to his inevitable reappointment, or as a warning that he had better become more of the traditional team player than has been his wont.

Much depends on which interpretation Mr Nakasone prefers. To have won a second term, which is more than any of his five predecessors managed, appears to be a demonstration of strength. But the dynamics of the Japanese system, both in the way policy is made and in the limited authority given to individuals, is such that he may be more restricted than popularly imagined.

It is, as a rule, tough for a Japanese politician to put a personal imprint on foreign policy. Those who have tried recently—Mr Kakuei Tanaka in opening the door to China, Mr Nakasone in so-called "creative diplomacy"—have been criticised for straying too far from the traditional line.

President Reagan have run into domestic flak for striking out on their own before the approved consensus was in place. The deliberate process of policy-making in Japan is designed to iron out the rough edges of disagreement before policy is actually implemented.

Mr Nakasone's term as Prime Minister to date provides a perfect illustration of this. Partly because his predecessor, Mr Zenko Suzuki, had been so passive, Mr Nakasone made almost

all the foreign policy running in the first year. But, largely for domestic, political and institutional reasons, it has been Mr Shintaro Abe, the Foreign Minister, and his ministry which has subsequently taken over. That Mr Abe was, and still is, a candidate to succeed Mr Nakasone has not a little to do with this.

Mr Nakasone's first year was marked by his own trips to Seoul, Washington, around the Asian (Association of South East Asian Nations) and the Williamsburg summit and by Mr Reagan's visit to Tokyo, in all of which his contribution was distinctive and sometimes controversial. His intent appeared to be to place Japan firmly in the Western camp. He even advanced a closer relationship with NATO which France felt compelled to abort. His fair for "statesmanship", especially to foreign audiences, was indisputable.

This year has seen some follow-up, with a trip to China and the London summit (though attendance here is de rigueur), as well as the visit by President Chun of South Korea to Tokyo. But the personal touch has been much lighter.

The imperatives of retaining power have compelled Mr Nakasone to extend to his domestic baggage patch, and even President Chun's visit was more important in domestic eyes, for having passed off smoothly than for any substantial achievement.

Mr Abe was in the reverse position. His image was becoming increasingly that of a Japanese Sir Geoffrey Howe, a good and faithful servant, with ever broadening experience, but apparently destined to operate in someone else's shadow.

Mr Nakasone's word on Mr Abe has been that of emboldenment really does burn in his belly. He needed to prove himself worthy



Mr Nakasone (left) in one of his early foreign policy initiatives, leaves for Washington accompanied by Mr Abe

of the title of one of Japan's "new leaders."

In this sense, he found natural allies in his own bureaucrats. As a rule in Japan civil servants run Ministers, not the other way round, and Ministers are shifted around every year or two as patronage is dispensed.

But the Foreign Ministry has been suffering through thin times of late. Never the most powerful department, its policy prerogatives were being nibbled at by the Finance Ministry and the Ministry of Trade and Industry (MITI) even before Mr Nakasone practised wholesale appropriation in 1983. It needed to regain its turf as much as Mr Abe needed recognition.

The alliance shows itself mostly in nuances. For example, just before the London summit,

the two capitals for months. Success remains elusive and the cautious Foreign Ministry even shuns the use of the word "mediation" to describe its efforts.

But, as he says, it is Mr Abe and the Ministry who are content to reap whatever credit is available from the popular perception that Japan is, for perhaps the first time, trying to act as broker in a major international conflict.

Activity over Kampuchea and North Korea can also be said to follow this pattern. In neither instance does it appear that Japan has policy initiatives in the works. But Mr Abe was only too pleased to be seen sitting down with Nguyen Can Thach, the Vietnamese Foreign Minister, to discuss Kampuchea earlier this month, while both Mr Abe and his ministry have been publicly much more responsive to the latest flurry of conciliatory moves from Peking than has Mr Nakasone, who has invested so much in President Chun.

In other areas, too, such as relations with African countries and the European Community, the ministry seems to be trying to pick up reins dropped, or never touched, by the Prime Minister. Mr Abe has even summed it up in a little book entitled "Creative Diplomacy," basically a collection of speeches mostly written for him by his ministry. It should be seen either as his valedictory or his calling card, maybe both.

But the durability of this apparent change is now in doubt. It is not clear whether Mr Abe will stay on as Foreign Minister and the upper echelons of the ministry are being changed anyway. For bureaucratic reasons, it may take time for Mr Abe or a new minister and a new hierarchy to forge a comparable relationship. And if Mr Nakasone feels confident that he has a real mandate, he may turn again to the foreign policy tiller. In that case, 1985 might look more like 1983 than 1984.

S. Africa, U.S. renew Angolan peace talks

BY ANTHONY ROBINSON IN JOHANNESBURG

THE LATEST round in long-running diplomatic efforts to reach a settlement between South Africa and Angola is due to start in Cape Verde today with a meeting between Mr Pik Botha, the South African foreign Minister, and Mr Chester Crocker, the U.S. Assistant Secretary of State for African Affairs.

The meeting closely follows a visit to Luanda by Mr Frank Wisner, Mr Crocker's deputy, and hints by Angolan President Jose Dos Santos that he is now actively considering a reduction in the 25,000 Cuban troops stationed in the country provided South Africa completes

the withdrawal of its troops from the southern part of the country and adheres to the terms of UN Security Council Resolution 435.

Today's talks are expected to concentrate on South Africa's continuing support for Mr Jonas Savimbi and his rebel Unita forces and its reluctance to complete the withdrawal of its troops while it is still engaged in operations against rebels from the South West Peoples Organisation (SWAPO).

Unita said yesterday it killed 82 Angolans and 14 Cubans troops in Uige and Landra provinces last week, reports Reuter from Lisbon.

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Indian opposition leader 'may support Gandhi'

BY JOHN ELLIOTT IN NEW DELHI

THE fragile unity of India's opposition parties has been upset by a statement from one of their senior leaders that he might join up with Mrs Indira Gandhi, the present prime minister, if she needs support to form an administration after the coming general election.

Mr Charan Singh, the 51-year-old politician who founded a new opposition party 10 days ago, said in an interview that "we might accept her overtures" if opposition groups could not themselves form a government.

Mr Charan Singh was prime minister of India for about three weeks at the end of 1979 after the collapse of the two-year-old Janata Government. He was supported for that short time by Mrs Gandhi, who then withdrew her support, so precipitating an election which she won.

Since then the opposition parties have fragmented as politicians left the Janata Party to form breakaway organisations. Attempts at unity have failed, usually for personality, rather than policy, reasons.

Ten days ago, Mr Charan Singh broke up existing alliances when he formed a new political party called the Dalit Mazdoor Kisan (the Untouchables, Workers and Peasants Party). It is strong in the northern areas of India where Mrs Gandhi needs to gain seats to stay in power.

This new party could provide an important base for the opposition, even though there will be no overall unity linking the country's varying opposition interests. But Mr Charan Singh's remarks could upset that.

Asked whether he would link up with Mrs Gandhi if she was returned to power without a clear majority and was looking for allies to keep her in power

he said: "I cannot definitely say so just now. If the country needs it and my colleagues say yes, then we would see. We'd rather join hands with other opposition parties but if that is not possible, we might accept her overtures."

Prompted by an aide, he later returned to the subject, suggesting that a war with Pakistan might lead to a link-up with Mrs Gandhi.

AMERICAN NEWS

Falklanders worry about price of freedom

BY JIMMY BURNS, RECENTLY IN PORT STANLEY

FOR THE LUXURIOUS life on an 150,000-acre farm on West Falkland, it seems to have returned very much to normal. In the morning, Bill picked his mail, brought to a local field by one of the island's two civilian 12-seater planes, then checked on some horses that had strayed off his land some 15 miles away, before finally feeding his favourite sheep on a tube of polo mints.

By the evening, he was sitting down with his wife Pat, listening for the umpteenth time to a tape of Margaret Thatcher's only visit to the islands in January 1983.

"We are a people who cannot live without breathing the air of freedom and justice," Maggie had told a packed town hall.

The Union Jack is flying over Port Stanley and may it always fly over Port Stanley."

In April 1982, Bill and Pat's Easter Sunday was rudely disrupted with the arrival of Argentine soldiers wielding heavy machine guns and chucking grenades. The Luxtons were arrested and deported for no apparent reason other than being regarded as firmly pro-British and a threat to internal security.

"At the time, I didn't know what was going to happen to us. I just thought of the 'disappeared' and I was terrified," Bill recalled. Far from modifying their resolve to remain on the islands, the

ARGENTINA is still hoping to win the votes of a number of European countries, including Italy and France, in tomorrow's United Nations debate on the Falklands.

In a debate before the UN, Argentina at the UN has mainly come from Latin

experience simply made the Luxtons that much more deeply British.

It is difficult to find an islander today that does not have a story to tell about the disruption caused by the Argentine occupation. There was rape and widespread looting. The only three islanders who died during the conflict were accidentally killed by the British. And the local Argentine military officials are generally remembered as courteous.

For a community that had scarcely known violence, it was a traumatic experience that has since entrenched itself deeply in the collective psyche, and continues to affect everyday life. All the live Argentine ammunition that littered Stanley and the countryside has been removed over the last year. But that doesn't apply to the mines.

"Before the war, I used to go swimming in the sea, riding in the fields, fishing on the river—all that's gone now," said Alison King, daughter of the proprietor of the Upland Goose Hotel.

America and the non-aligned movement. But officials believe a "qualitative" change in the vote will succeed in bringing pressure to bear on Mrs Thatcher's Government.

The debate follows a multi-Parliament tour by President Raul Alfonsin following

links with Argentina. Falklanders used to use Argentine hospitals and Argentine schools, and there were regular tourists visiting from Buenos Aires on the twice-weekly flight or the occasional cruise ship. Argentina provided the islands with gas and petroleum in addition to some food supplies.

Trade links are now almost exclusively with the UK and transport and services virtually controlled by the British armed forces. Most islanders are convinced that the presence of the military is the only guarantee against a further invasion by the Argentines and this more than compensates for some of the disruption to their lives since the end of the war.

For if British troops have remained remarkably well disciplined, some islanders do admit to a certain resentment about the changes in their way of life. For instance, local opinion has been provoked by widespread allegations that army trucks daily deposit surplus stocks on the rubbish tip on the outskirts of Stanley.

"When you've been used to using up everything all your life, it makes one feel like crying to see such waste," says Mrs Valmer Malcolm, the elderly owner of the Rose Hotel.

It is not the only issue that Mrs Malcolm feels bitter about. As the secretary of the Falkland Islands Local Committee, the locally based anti-Argentine pressure group she shares the doubts many islanders have about the degree of commitment Britain has to the medium to long-term future of the islands.

Mrs Malcolm, in common with many islanders, is concerned about the future of the islands' trade union movement. Mr Terry Betts, an unwavering respect for Mrs Thatcher. But the history of the Falklands dispute has shown successive British governments, whether Labour or Conservative—prepared to reach some accommodation with Argentina.

And the so-called Falklands lobby inside British Parliament, which in the past has opposed any accommodation, is no longer as influential as it once was. So Mrs Malcolm is less confident than she used to be.

As she put it, "It's no joke living on the edge of a precipice, wondering what's going to happen once Mrs Thatcher goes. You wouldn't know whether to build yourself a new house or just move out."

Curbs sought on growth of U.S. loan institutions

By William Hall in New York

U.S. BANK regulators are trying to curb the rapid growth of some of the country's 3,500 savings and loan institutions as they fear that further problems in the industry could seriously stretch the authorities' ability to protect depositors.

Washington is considering limiting the growth of individual institutions on the authorities' problem list as well as increasing insurance premiums U.S. thrift institutions have to pay in return for Federal guarantees on their deposits.

Mr Edwin Gray, chairman of the Federal Home Loan Board which supervises most of the institutions in the industry, is expected to outline his fears about the industry's rapid growth and the need to restrict the growth of some of the more aggressive institutions in a speech to the U.S. League of Savings Institutions' annual conference in Washington, today.

Although the Federal Deposit Insurance Corporation (FDIC) insures the vast bulk of the near \$700bn of deposits controlled by U.S. savings and loans, its power to control individual institutions varies considerably.

Some institutions, which are chartered by individual states as opposed to the national level, are allowed more flexibility than federal chartered institutions. Regulators are powerless to curb their expansion into risky areas.

The FDIC insurance funds, which total little more than \$60bn are under strain as more institutions run into difficulties. Mr Stewart Fleming adds: Mr Donald Regan, U.S. Treasury Secretary, yesterday cautiously prodded the Federal Reserve Board to ease monetary policy in view of the moderate rate of inflation and the slack remaining in the economy.

Mr Regan told the conference yesterday that there appears to be room for the Fed to ease monetary policy without "panicking" the money markets.

Delegate selections boost Tancredo's bid for presidency

BY ANDREW WHITLEY IN RIO DE JANEIRO

THE BRAZILIAN opposition's hopes of capturing the presidency next January have risen sharply over the past few days, following selection of most state delegates to the presidential Electoral College.

Results have come in from 18 of the 26 states, giving Sr Tancredo Neves, the opposition candidate, the support of more than 80 delegates, compared with 23 or 24 pledged to Sr Collor, the official candidate.

Some state delegates make up about 20 per cent of the 686 member Electoral College, and was regarded as critical for the outgoing Figueiredo Government to secure the election of its controversial candidate.

The opposition parties and their allies from the Frente Liberal, a breakaway group of Government politicians, already have a commanding majority in the two houses of the Federal Congress, which form the rest of the Electoral College.

The regime reacted to the unfavorable trend of events at the end of last week by briefly arresting most of the leaders of the pro-Brazil Communist Party (PCdB), a minor left-wing party.

In a co-ordinated swoop on four cities—Sao Paulo, Belém, Salvador and Recife—Federal police arrested 46 members of the PCdB. Documents and party funds were also seized. Most of those detained were released over the weekend.

Intervention in an increasingly virulent succession race has come from another influential quarter, the country's powerful Roman Catholic Church.

In its first official statement on the contest the National Confederation of Catholic Bishops warned the regime against any attempt to alter the political rules at this late stage.

"A nation which hopes to be civilised cannot accept coups," said the statement.

Groups from the party's youth section pushed through into the small conference hall and swiftly took it over, chanting slogans in favour of the election. The pretext for Dr Guido's theatrical intervention was a supposed insult by one of the speakers to the vote, and his defenders withdrew from the meeting under a fusillade of insults and threats of violence.

Bombs in Chile signal protests

BOMBINGS timed to signal the start of a two-day protest in Chile against the military Government of General Augusto Pinochet damaged a railway, a bridge and two banks yesterday, APPI reports from Santiago.

The Government extended news censorship imposed last week to two opposition radio stations.

Police reported on injuries from bombs that went off in Santiago and some provincial cities. Church sources and witnesses said security agents arrested scores of dissidents. The Government did not confirm the arrests.

Bahamas PM survives after pledge of respectability

BY NICKI KELLY IN NASSAU

PRIME MINISTER Sir Lynden Pindling has pledged to lead the Bahamas "back to international respectability" following a year-long corruption scandal that has badly shaken confidence in his government and the country.

Addressing the closing session of his party's annual convention at the weekend, the prime minister said he felt it was his responsibility "to correct whatever was done in error, to stamp out whatever was done deliberately and maliciously and to chart a new course."

Sir Lynden's leadership of the

governing Progressive Liberal Party was unanimously endorsed by the convention, temporarily quelling dissident demands for his resignation.

Former Deputy Prime Minister, Mr Arthur Hanna, who was expected to challenge him, told delegates privately he would rather step aside than become a source of division within the party. Instead, he accepted re-nomination as deputy leader.

Party members closed ranks around the Prime Minister rather than risk a split that could only aggravate the damage already done to the PLP by

a recent investigation into drugs trafficking.

Allegations made before a commission of inquiry have linked some of Sir Lynden's closest friends to drug payoffs, money laundering and influence peddling.

The Attorney-General, Mr Paul Adderley, told the convention that there was sufficient evidence to make him realise that he might have to take some very unpopular decisions. "If I had to do so I would, without regard for the consequences to me or anybody else," he declared.

Mr Hanna, the most powerful figure in Bahamian politics next to the prime minister, quit his cabinet post three weeks ago when Sir Lynden refused to resign after the commission revealed he had received millions of dollars in undisclosed loans, gifts and contributions from foreign businessmen.

Mr George Mackey, the convention chairman, said the PLP had decided to wait for the commission's report in December "to determine what action should be taken against any member."

WORLD TRADE NEWS

GM and Daewoo in \$60m car parts venture

By STEVEN S. BUTLER IN SEOUL

THE Delco Remy division of General Motors Corporation and Daewoo Precision Industries have announced a \$60m (£50m) joint venture to produce electrical components for a car designed by Opel, GM's West German subsidiary, which the parent companies will manufacture jointly in South Korea.

The new venture broadens General Motors participation in South Korea to the manufacture of component parts.

Daewoo Corporation and General Motors earlier this year signed a contract to build an annual 167,000 small front-wheel drive vehicles up to half for export beginning in the 1987 model-year.

Experts outside the company say that several joint ventures for the manufacture of automotive parts are at various stages of discussion.

Speaking in Seoul, Mr Roger Smith General Motors chairman indicated that other joint ventures might be under consideration, putting General Motors' more sophisticated technology together with South Korean manufacturing capabilities.

Observers here suggest that the companies may have delayed announcing the joint venture until GM had concluded its contract negotiations with the United Auto Workers, which has feared potential losses of jobs in the U.S. to workers overseas.

Under the agreement, signed in July and approved by the South Korean Government last week, the companies will manufacture starter motors, alternators, ignition distributors, and ignition coils.

The products will also be marketed in Asia and Europe, and will be included as original equipment on Daewoo vehicles exported to the U.S.

Mr Smith said that each company would invest \$10m. Financing would be arranged for the balance.

According to the Korea Auto Industry Co-operative Association, during the first nine months of 1984, South Korea exported 36,407 vehicles, an increase of 146 per cent over 1983.

Lagos teams concentrate on price comparisons

By Patti Waldmeir

TEAMS of Nigerian Government officials who have arrived in Britain, Hong Kong, West Germany and the U.S., will be responsible for inspecting only non-essential imports, and will not be able to clear a backlog of essential goods shipments created by the dismissal of Nigeria's pre-shipment inspection agents, SGS, on September 30.

Mr S. O. Oyeniji, leader of the four-man London team, said inspectors would carry out quantity and quality inspections, plus price comparisons, at factories throughout Britain and Eire.

The Central Bank of Nigeria has said that essential items such as pharmaceuticals, food, raw materials, spare parts and basic chemicals which are covered by "M form" import documents issued prior to October 1 should be sent to Lagos for inspection at destination.

But the vast majority of exporters have refused to take the risk of sending goods to Lagos which they fear could be refused on arrival or have prices cut arbitrarily.

They have chosen to wait until these forms, which currently specify the Swiss inspectors SGS, can be endorsed over to new inspection agents appointed after the dismissal of SGS.

No such amended forms have yet been received in the UK, leaving exporters worried that the forms will expire before inspection can be completed and shipment arrangements made.

Exporters said yesterday they doubted whether such a small number of inspectors with only a very limited data base of manufacturers' list prices for price verification could make a significant dent in the backlog of shipments of even non-essential goods.

Japanese plan new life for Calcutta Metro

By JOHN ELLIOTT IN CALCUTTA

JAPANESE contractors will soon move on to the Calcutta metro underground railway project in north-eastern India to see whether an injection of modern excavation techniques and equipment can partially rescue the densely overpopulated city from the chaos and disruption caused by ten years of slow moving Indian manual construction methods.

Trains started to run last week for six hours a day on a single 4km (2.5 miles) track in the middle of the 17km dual-track line, eight years behind schedule and four months after the entire system was flooded by heavy rainstorms.

The flood rose 35 ft above the tracks and caught 16 new coaches which were left submerged for up to three weeks under heavy water pressure. Their engines and other equipment were ruined.

Originally budgeted with Russian advice, in 1972 to be completed by 1979 and to cost \$140m, the project is now estimated at a total of at least \$800m, and probably much more by the time the present target completion date of about 1990 is reached.

"The total could be \$900m and that could double to \$1.8bn

to \$2bn. With that money I could have tripled agricultural growth in this state with irrigation projects. The economist in me revolts," says Mr Ashok Mitra, Finance Minister of the Marxist Government of West Bengal where Calcutta is the capital.

"It should never have been started. It would have been better to have spent the money on over-land traffic and building satellite towns," says Mr Joyti Basu, the West Bengal chief minister.

Even Mr Ghani Khan Choudhury, a Calcutta politician who is now responsible for the project as the railway minister in New Delhi has said it is all a "mistake."

He has started a much cheaper surface circular railway system around the central areas which has begun operating after only three years. There is also a World Bank-aided General transport scheme spending about \$100m on improving bus and tram services with new vehicles and traffic management.

The only reason the metro is being completed at all is that no one has had the nerve to cancel it in recent years. It was started in 1972 by the then Congress I government in New

Delhi as a prestige project aimed at boosting Calcutta in the aftermath of the neighbouring 1971 Bangladesh war by giving the city India's first underground railway.

Since then much of the centre of Calcutta has resembled a chaotic construction site with open excavations, piles of mud, stacks of rusting steel girders and other equipment blocking main thoroughfares.

"They close a road and say they'll restore it in three years. Materials are dumped and nothing happens. At one point near the central esplanade station, they said in 1981 they'd do some work in six months, closed a major tram and bus route, and haven't started anything yet," complained a local transport official.

Worse affected is the old and faded grandeur area of Chowringhee Road (now called Jawaharlal Nehru Road). It overlooks the wide open area of the Maidan Park in the same way that Park Lane borders Hyde Park in London.

The metro runs underneath this road and has closed at least half its width to traffic for years, thus reducing the percentage of Calcutta's land mass available to traffic from 6 per

cent to 5 per cent. New Delhi and Bombay have about 20 per cent and modern Western cities up to 30 to 40 per cent.

Most of the construction contracts were let out in 1 km lengths to inexperienced Indian companies. Hardly any progress was made for some years.

Funds were short, labour troubles broke out and unexpected problems arose with Calcutta's loose clay soil which is mixed with decayed vegetation and silt pockets. A Hungarian tunnelling company, Niker, has said it is very peculiar soft soil, possibly the softest in the world.

The Japanese company now moving in is Tasei, working with Hindustan, on two sections totalling 4.6 km won in competition against Maeda of Japan with Alcon, another large Indian company.

Japan is providing \$8m to \$10m aid for foreign exchange costs of equipment, personnel and open tunnelling equipment not available in India. Contracts are now being finalised worth \$66m plus a 30 per cent claim for price rises during several months of administrative delays on top of a 15 per cent price escalation clause.

Tasei will show Hindustan how to do the job by opening up only a third of the surface at a time. This is then covered with concrete slabs to allow traffic to move overhead during excavation. It is expected to cut construction time from eight years needed for manual traditional cut and cover excavations to four years and six months.

Most of the rolling stock of 144 coaches is being built by Indian companies, with some foreign components such as brake and sliding door equipment from Westinghouse Brake and Signal of the UK and Knorr of Germany. Indian subsidiaries of UK companies including Chloride, BICC and GEC have supplied batteries, lighting and cables. The level of technology is well below that of more recently commissioned metros like Hong Kong or Singapore.

Now the line is partly open, the potentially dangerous problems have to be faced on Asia's fifth underground railway and the world's 82nd. Calcutta is crippled with regular power cuts and the metro has no generating station of its own—just "first priority for electricity supplies after defence establishments."

Ford, Fiat in fight to be W. Europe car sales leader

By KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD AND Fiat of Italy are engaged in a tremendous struggle for the West European car sales championship this year.

After nine months Ford has edged ahead by 21,500 registrations, giving the U.S.-owned company a share of 12.1 per cent against Fiat's 12.0 per cent.

The contest is by no means over, because Ford was in the lead at the same stage last year but eventually was pipped at the post—by 10,000 registrations—by Renault of France.

Renault this year has slipped back to sixth place among the major manufacturers but only 2.3 percentage points separate it from Ford at the top.

According to industry estimates, car sales in the 17 West European markets fell by 2.9 per cent in the first nine months of this year to 7,906,069.

Fiat has been helped by the buoyancy of its domestic market—the only major territory in Western Europe where car sales have increased in 1984. Italian registrations improved by 2.1 per cent to 1,257,880 in the nine months.

However, there have been declines in Ford's two main markets. Total UK registrations were down 1.6 per cent at the end of September to 1,439,901, while in West Germany car sales had fallen by 2.6 per cent to 1,871,844.

The biggest fall recorded in the major markets was one of 12.5 per cent in France where registrations after nine months were 1,284,754. This, in turn, had a depressing effect on the European results of the two French groups, Renault and the Peugeot-Citroen-Talbot combine.

WEST EUROPEAN CAR SALES: JANUARY-SEPTEMBER		
	1983	1984
Total sales	8,144,510	7,906,069
	Market share %	
Ford	12.7	13.1
Fiat Group	12.0	12.8
Volkswagen-Audi	12.0	11.8
Peugeot-Citroen-Talbot	11.7	11.2
General Motors (Opel-Vauxhall)	11.3	11.2
Renault	12.1	10.8
BMW	4.2	4.1
Daimler-Benz (Mercedes)	3.3	3.1
SAAB	2.9	3.0

Bids to operate Jeddah airport

FOURTEEN companies have submitted bids to the Saudi Presidency of Civil Aviation for the operation and maintenance contract for King Abdulaziz International Airport in Jeddah, Flina Barre reports from Saudi Arabia. Prices range from \$127m (£105m) to \$298m.

International Commercial ventures submitted a bid of \$127m. The highest bid was submitted by Al-Zamil Industries (\$298m).

Other companies and their bids included: SOCC-Zainel (\$161.9m); Civil Works Company (\$198.3m); Sianco (\$204.2m); Amoodi-Letco (\$213.6m); Al-Sagri (\$221.1m); Dallah Arco (\$224.7m); Saudi FAL-Al (\$239.5m); SMMC-Basil-Saad (\$256.5m);

Yugoslav group 'may drop pact with Renault'

By Patrick Blum in Vienna

IMV, the Yugoslavian car manufacturer, may drop its production agreement with Renault, the French car group, in favour of a deal with Fiat of Italy, the Yugoslav daily Politika reports.

Quoting from an interview with Mr Janec Raskar, IMV director, the daily said that current difficulties in the French group combined with heavy losses for the Yugoslav company may force it to reconsider its relationship with Renault.

IMV, which manufactures the Renault 4, is reported to have suffered increasing losses since 1980. Renault must accept changes in its agreement with IMV or else "the latter will renounce co-operation with its partner for many years," the daily said.

An alternative is co-operation with the Yugoslav company Crevna Zastava which makes Fiat cars under agreement with the Italian group. Crevna Zastava is said to have offered a deal to IMV for the manufacture of new models for Fiat.

A decision on the agreement with Renault will depend on discussion due to take place before the end of the year between the two companies on which of the two offers is more profitable, the daily said.

Chile's arms industry exports worth \$100m a year

By MARY HELEN SPOONER IN SANTIAGO

AN IRAQI cargo aircraft which landed earlier this year at Santiago Airport to pick up a shipment of cluster bombs brought into public view something that only a few defence experts knew: that General Augusto Pinochet's Chile, which has faced arms embargoes from its traditional suppliers in Europe and the U.S., is now a net exporter of arms.

According to industry officials, Chile's annual arms exports are worth about \$100m (£83m).

Industrias Cardoen, a private Chilean company, won the cluster-bomb contract over competing bids from arms manufacturers in France, the U.S. and the Soviet Union.

Cardoen, originally a producer of mining explosives, made its first foray into arms manufacture in 1972, when Chile and Argentina nearly went to war over their sovereignty dispute over the Beagle Channel.

At the request of the Chilean military, Cardoen started man-

ufacturing grenades and land mines for use in a possible war with Argentina.

After Chilean purchases of armoured vehicles from France, West Germany and Austria were blocked, Cardoen obtained a licence from a Swiss company, Mowag, to manufacture armoured vehicles in Chile.

Development of the cluster bomb began in 1982. While this year's sales agreement with Iraq has been the company's biggest foreign contract, it was not the first and is not likely

to be the last.

Cardoen executives say they cannot reveal the details of specific sales, but the company has clients in South-East Asia, Africa, South America, and the Middle East.

The Chilean cluster bomb weighs 500 lb and contains up to 500 bomblets. Its price is claimed about one-third that of European and U.S.-made cluster bombs.

Cardoen, which is concentrating on simplicity, has also been working with a number of

British companies, including Ferranti and United Scientific Holdings.

According to the company's president Sr Carlos Cardoen, the lifting of the British arms embargo in 1980 proved a blessing.

"This meant the chance to do what we would eventually like to do with the U.S.—openly to trade in arms components," he said. "We've been able to integrate things from both countries, and save a lot of time by not reinventing the wheel."

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6 3/4 % Sinking Fund Debentures due June 1, 1988

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Sinking Fund for the Debentures of the above-described issue, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected by lot for redemption on December 1, 1984 at the principal amount thereof \$729,000 principal amount of said Debentures, as follows:

Outstanding Debentures of U.S. \$1,000 Each of Prefix "M" Bearing Serial Numbers Ending in the Following Two Digits:

Also Debentures of U.S. \$1,000 Each of Prefix "M" Bearing the Following Serial Numbers:

2241 4241 6241 8241 10241 12241 14241 16241 18241 20241 2241 4241 6241 8241 10241 12241 14241 16241 18241 20241 2241 4241 6241 8241 10241 12241 14241 16241 18241 20241

On December 1, 1984, there will become due and payable on each Debenture the principal amount thereof, in such coin or currency of the United States of America as on said date is legal tender for the payment thereof in public and private debts, at the option of the holder, either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 13th Floor, 30 West Broadway, New York, N.Y. 10015, or (b) subject to any laws and regulations applicable thereto with respect to the payment, currency of payment or otherwise in the country of any of the following offices, at the principal office of Banca Nazionale del Lavoro in Rome or the principal office of Banca Commerciale Italiana in Milan or the main office of Morgan Guaranty Trust Company of New York in London, Brussels, Paris or Frankfurt or the main office of Algemeene Bank Nederland N.V. in Amsterdam or the main office of Kredietbank S.A. Luxembourg in Luxembourg-Ville.

Debentures surrendered for redemption should have attached all unmatured coupons appurtenant thereto. Coupons due December 1, 1984 should be detached and collected in the usual manner.

From and after December 1, 1984 interest shall cease to accrue on the Debentures herein designated for redemption.

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NOTICE

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UK NEWS

BL faces cars pay strike as offer is rejected

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

UNION LEADERS at Austin Rover, BL's volume cars subsidiary, last night rejected an improved pay offer and gave notice of a strike from next Monday.

But the negotiators, while giving a militant lead, will again consult the workforce through mass meetings this week. There might be widespread unrest about pay within Austin Rover, but there must be doubts about how prepared workers will be for a strike, particularly in the recession-hit West Midlands.

Mr Grenville Hawley, national automotive secretary for the Transport and General Workers' Union emerged from the seven hours of talks in Warwickshire to denounce the offer as totally unacceptable.

The negotiators, accepted it was Austin Rover's final offer, but it was now for the workers to decide. Austin Rover which is known to be unhappy about the way decisions are taken at mass meetings gave a clear indication it might use new trade union legislation that came into force only last month.

Under part II of the 1984 Employment Act, employers can go to the

High Court to obtain an injunction and/or damages to prevent industrial action being taken if it has not been sanctioned through a secret ballot.

Mr Norman Haslam, Austin Rover's employee-relations director, said the company had strongly urged the trade unions to conduct a ballot of all workers. Austin Rover was prepared to involve an independent body, but this suggestion had been rejected by the negotiators.

Austin Rover improved its initial offer, of a 9.4 per cent rise in new money spread over two years to 10.2 per cent. Workers are offered an extra 50p a week in the first year and £1 in the second year.

Increased consolidation of productivity related bonus payments to £5.25 a week, would increase the basic pay of a typical track worker by £22.70 to £139 by November next year.

Meanwhile, the newly-privatised Jaguar car company which faces a walkout by its 7000 manual workers from Thursday in a pay dispute, was making renewed effort to avert a stoppage.

Amoco optimistic about size of new onshore oil discovery

BY DOMINIC LAWSON

AMOCO, the U.S. oil company, has struck oil at Larkwhistle Farm, five miles north-west of Winchester, Hampshire, in southern England. Amoco said yesterday that it was too early to give an idea of the size of the discovery but added, "we think it is very interesting indeed."

The find is about 20km to the west of Humble Grove oilfield, which is also in Hampshire. That has proven recoverable reserves of about 20m barrels and is the second largest onshore oilfield in the UK (the largest is Wytch Farm in Dorset). The geological structure on which Amoco has found oil is said to be larger than the Humble Grove.

Amoco has a 50 per cent stake in the discovery. The other half is held by the English oil company Ultramar.

Amoco began a two-week test in the discovery on Friday. This will tell the company the thickness of the oil-bearing zone and how well the oil will flow. Amoco will then apply for planning permission to run an extended test of up to six months, which will give it sufficient information to plan its appraisal of the discovery.

Carless, Capel and Leonard, the UK exploration company, has made several oil discoveries in Hampshire, in the so-called Weald Basin.

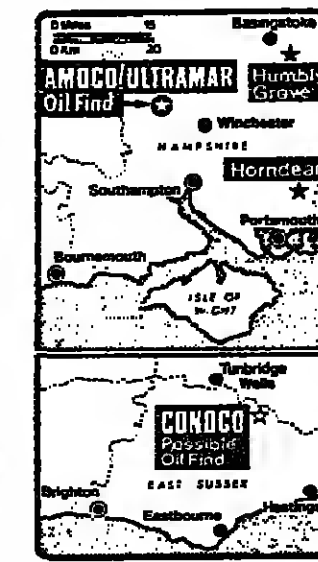
Dr Eric Bosshard, the exploration director of Carless, said last night, "This is a superb result by Amoco. It shows that the Weald Basin oil covers a much wider area than had been previously imagined."

The main problem for companies seeking to develop oil discoveries in the south of England has been local anger at possible damage to the environment. Mrs Pat Hooper, the secretary of the Winchester branch of the Council for the Protection of Rural England, said yesterday that the Amoco discovery was on very attractive open countryside. But she said that the area was "not widely sensitive environmentally."

Mrs Hooper added that Amoco had been "very good at keeping the local people informed."

The south of England's transformation into an outstanding oil province was given a further boost yesterday when it was revealed that Conoco, the U.S. oil company, had found evidence of oil on its exploration well at Wallcrouch in Sussex, about five miles south-east of Tunbridge Wells. Conoco is soon to test the well. If it proves successful, it will give Conoco a record of four successive hydrocarbon discoveries in its recent south of England exploration campaign.

The news of the possible discoveries in Hampshire and Sussex



will cause renewed oil industry enthusiasm for the long-awaited first onshore licensing round.

This had been expected this autumn, but the Department of Environment's concern over the terms and conditions of the new licensing system has delayed the announcement of the round. It is not now expected to take place until the new year.

Inquiry into Coles Cranes sale to U.S.

BY KEVIN BROWN

SIR GORDON BORRIE, Director General of Fair Trading, has been asked to report "urgently" on the sale of Coles Cranes of Sunderland to Grove Crane of the U.S.

His report will clear the way for a decision by Mr Norman Tebbit, the Trade Secretary, on whether the sale should be subject to an inquiry by the Monopolies and Mergers Commission.

Mr Alex Fletcher, the minister responsible for corporate affairs, yesterday defended the decision by Cork Gully, receivers for the troubled Acrow Group, to sell Coles Cranes to the highest bidder, but he made clear that the Government had supported an alternative bid by a consortium representing management and workforce, and backed by local authorities.

Labour MPs in the House of Commons yesterday demanded an investigation by the Monopolies Commission, and there were angry criticisms of the receiver. Mr Fletcher said he had asked the Office of Fair Trading for urgent advice on whether the sale merited an inquiry so that a final decision could be made by Mr Tebbit as quickly as possible.

This is the procedure laid down under the Fair Trading Act, although the Secretary of State is not

bound by the director general's advice.

Mr Fletcher said the Government had offered financial assistance to the workforce consortium, but "the decision on which bid to accept was a matter for the receiver. At the end of the day he accepted a higher bid from Grove."

Mr Bryan Gould, a Labour industry spokesman, said there was grave disquiet in Sunderland and elsewhere at the failure of Acrow and of the workforce buyout.

Mr Gould said there was a clear case for a Monopolies Commission inquiry since the two companies involved controlled about 80 per cent of the British market for cranes.

He asked Mr Fletcher: "Do you recognise the defence implications of allowing this important British manufacturing capacity to pass into foreign hands?"

Mr Gould suggested that the Government had been closely involved with the workforce consortium and had been ready to invest a substantial sum. He asked: "Did the Department hear anything from the receiver about the American bid and what he proposed to do about it?"

Mr Fletcher told him: "The affairs of a company in receivership have to be resolved between the receiver, the company and its creditors, and that is what happened in this case."

Security for next budget tightened

SECURITY arrangements at the Treasury are to be tightened in advance of next spring's budget, Mr Nigel Lawson, the Chancellor of the Exchequer, disclosed last night.

This move follows the leaking of market-sensitive budget details last March. A report in *The Guardian* newspaper threatened, among other points, the abolition of tax relief on life assurance premiums and the extension of the scope of value-added tax.

The report led to heavy sales of life assurance policies in the 18 days before the budget, which prompted considerable concern both in the City of London and Whitehall.

Mr Lawson said he understood that "the police investigation of the suspected leak of my budget in March has confirmed that there was an unauthorised disclosure of classified information, although it has not identified the person or persons responsible. In the light of this investigation, new and tighter budget security arrangements have been put in place."

One result is that during the most sensitive period before the budget, Treasury officials will be required to record the names of all contacts, whether in person or by telephone, with members of the press and of other outside bodies.

This is part of a general tightening of security in the Treasury which has developed since last March. In previous years, and particularly when Sir Geoffrey Howe and Mr Denis Healey were Chancellors, there had been a move towards opening up the Treasury to outside contact before the budget.

Mr Lawson said the Treasury Bank is to give its customers a breakdown of quarterly bank charges from next month. It is the first of the big banks to do so.

NatWest will show the maintenance charge, the number and cost of each withdrawal, and the allowance that it gives for balances kept in an account. Customers who keep more than the minimum balances necessary to escape charges will be told that no charge was made.

Mr Philip Gisle, general manager in charge of domestic banking, said it had been a major undertaking requiring a significant development of the bank's computer system which handles 55m personal account statements a year.

Mr ROGER MANFREDI, a director of Trusthouse Forte (THF) and chairman, president and chief executive officer of Trusthouse Forte Inc in the US, is to retire from his executive duties.

Mr Manfredi, who is in his mid-50s, has said he wishes to concentrate on his other business interests. He is to carry on for the time being as a non-executive director of THF Inc and will remain a director of THF. He was formerly chief executive of the 500-strong U.S. travelodge motel-hotel chain which was acquired by THF in 1973.

Mr WORKERS at Mullins tobacco machinery factory near Londonderry, Northern Ireland, began a work-in yesterday in an effort to reverse the company's decision to close the plant as part of a UK rationalisation.

More than three-quarters of the 440 employees reported for work as normal in defiance of company instructions. The shutdown was announced on Friday of last week immediate effect, although the employees will be paid for 90 days.

Mr N. M. ROTHSCHILD & Sons, the merchant bankers controlled by the Rothschild family, announced that it had been granted a temporary High Court injunction restraining H. Rothschild Watch, a Swiss company, from selling or supplying in the UK cigarette lighters or any other articles made wholly or partially of gold or silver, or simulated gold or silver, under the name Rothschild.

Prudential to double household premiums

By Eric Short

NEARLY A quarter of a million householders with the Prudential Assurance Company face swelling increases in the new year on the cost of insuring the contents of their homes.

These householders live in large areas of London and in the central districts of Glasgow, Liverpool and Manchester, where the Pru is doubling its contents premiums rates on new-for-old cover to £15 per £1,000 of cover - the highest rates charged by an insurance company for this type of cover in these areas.

In addition, those householders will, for the first time, have to pay the first £200 of any theft claim on new-for-old policies, which value lost goods at current prices. Thus the Pru becomes the first insurance company to impose a compulsory excess on contents insurance.

The imposition of any excess in the top rating area only has enabled the Pru to keep premium increases in London and the other cities to what it regards as an acceptable level. Otherwise premiums would have doubled the new rates in order to maintain the balance.

Mr John Powell, head of Pru's general insurance operations, denied that he was creating "no-go" areas for insurance. Nevertheless, he estimated that some 10 per cent of householders might switch insurance away from the Pru because of the new rates.

All major insurance companies have been or are in the midst of up-rating their contents premium rates to combat the rising underwriting losses incurred on contents insurance. The rising crime wave has sent claim payments soaring.

The Pru, through its 9,000 strong agency force, is Britain's largest contents insurer with some 3m householders on its books - 14 per cent of the market. As such it has been badly hit by the crime wave.

The company paid out £16.5m on theft claims from homes in the first six months of 1984 - 22 per cent more than in the first half of last year, compared with a rise of 14 per cent for the UK insurance industry as a whole.

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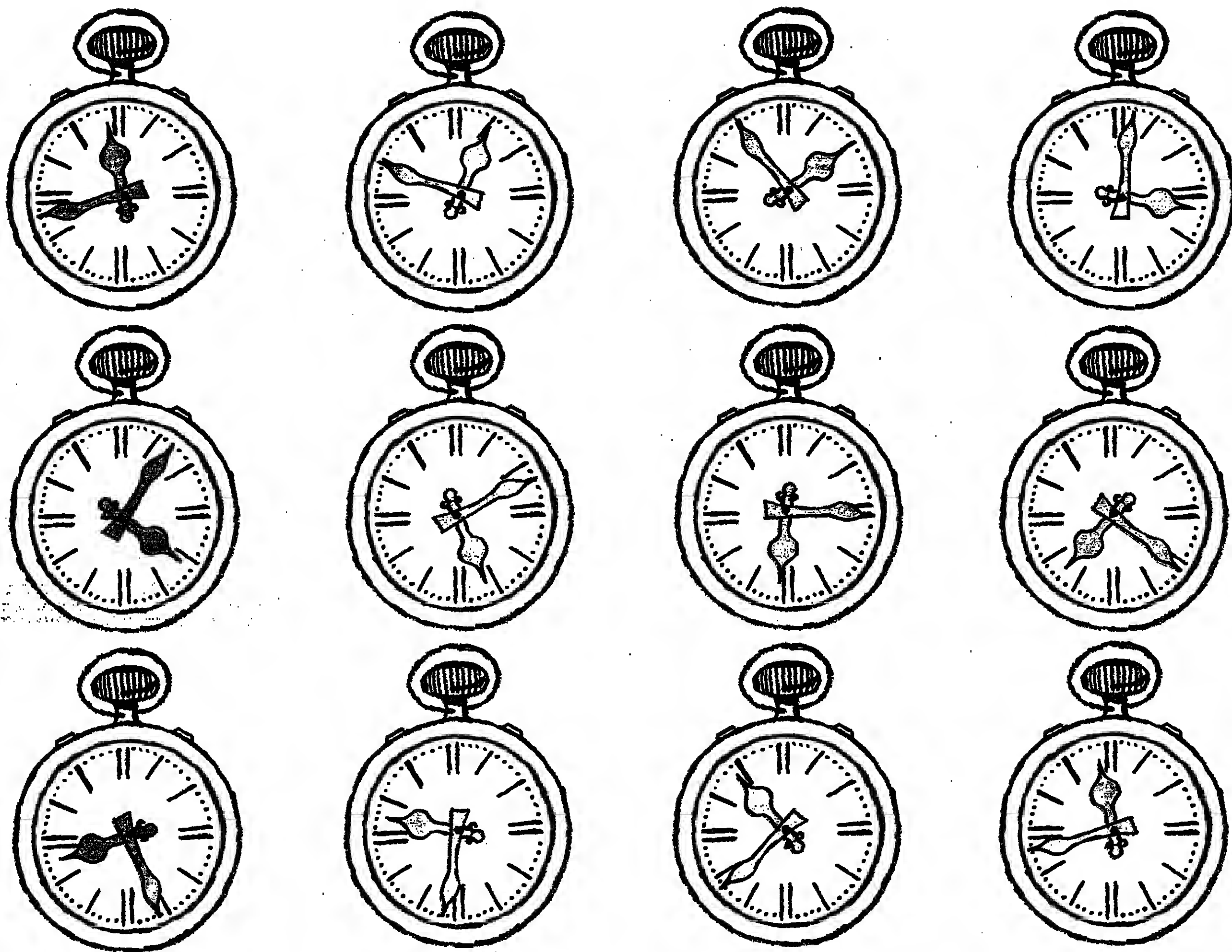
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UK NEWS

NCB'S NEW SPOKESMAN HAS A TURBULENT DEBUT

A long week at the coal board

BY JOHN LLOYD, INDUSTRIAL EDITOR

A WEEK has been a long time in National Coal Board (NCB) internal politics. Mr Michael Eaton, the North Yorkshire area director appointed at the weekend before last as the new NCB voice, and as a special assistant to Mr Ian MacGregor, the chairman, was abruptly silenced yesterday.

He had had a flying start. He took a phone call from Mr MacGregor around noon on Thursday October 18, inviting him to take up his new post. He was in London by early evening. By Saturday, he was briefing the Sunday press on his appointment.

Mr Eaton saw it as wide-ranging. On the one hand, it would be to explain the board's position inside and outside the industry. On the other, it would be to offer advice to Mr MacGregor and the board on the negotiations.

He expected to attend the then forthcoming talks with the pit supervisors' union Nacods. He floated suggestions that the larger dispute, with the National Union of Mineworkers (NUM), could best be attacked by dropping all attempts to define an "uneconomic" pit, and instead by concentrating on a wider definition of an "exhausted" pit.

Interviewed on BBC Radio 4 on Sunday, he praised Mr MacGregor's "courage" in appointing him

("the act of a brave man"). Later that day, he appeared on BBC TV's Money Programme, and was up early on Monday to make a joint appearance on TV-am, the breakfast channel, with Mr Peter McNessey, the Nacods general secretary. He fully expected to be part of the board's negotiating team with Nacods, at least in an advisory capacity, on the next day.

The first day of the Nacods talks at the Advisory Conciliation and Arbitration Service (Acas) last Tuesday saw Mr Eaton remain at his desk at NCB headquarters in London, while his colleagues trooped into Acas. On Wednesday, the Nacods strike was called off. Talks between the NCB and the NUM began last Thursday, again without Mr Eaton.

Mr Eaton was not there because Mr James Cowan, the deputy chairman and Mr Merrick Spanton, the board member for personnel, objected strongly - so strongly that they threatened not to take part themselves if he was part of the team or even, in some versions, threatened to resign. Faced with the pressure Mr MacGregor had little choice but to veto Mr Eaton's presence.

Mr Eaton himself denied reports of rifts within the board over his appointment. He said, in statements

and interviews on Thursday, that it had never been intended that he should attend the talks.

Mr Eaton's last media appearance was on Sunday morning, again on TV-am, which showed an interview between Mr Eaton and David Frost, recorded on Saturday. Because it was pre-recorded, neither Mr Frost nor Mr Eaton referred to the Sunday Times report on the NUM's contact with Libya.

Mr Eaton was out of town on Sunday and made no comment on the Libyan connections. About noon yesterday he was informed from the chairman's office that he would not be speaking to the press until further notice.

Two explanations were given publicly for this. The first was that, because of the weekend's events (presumably the Libyan links report), Mr Eaton would say nothing. Accompanying this were unconfirmed reports that the board was considering breaking off the Acas talks due to resume with the NUM - although it was later confirmed that the board would appear at Acas at the appointed time of 10 am tomorrow.

Mr Eaton appears to have been the victim of, firstly, an ambiguous brief about which Mr MacGregor's colleagues, and Mr Peter Walker, the Energy Secretary, knew nothing



Michael Eaton: "victim" of internal politics

ing until after his appointment and, secondly, of subsequent re-litigation by his senior colleagues on the board - led, it seems, by Mr James Cowan, the deputy chairman.

In the past year two mining engineers - Mr John Mills, joint deputy chairman and Mr Don Davies, member for marketing - have been dropped from the board. Mr Merrick Spanton, the self-effacing board member for personnel - apart from Mr Cowan himself - the only other mining engineer left. Mr Eaton's arrival clearly challenged Mr Cowan - and, for the moment at least, he seems to have defused it.

Distribution of wealth becomes less even

BY CLIVE WOLMAN

THE TREND towards greater equality in the distribution of wealth in the UK has been strongly reversed since 1979, when the first Conservative administration under Mrs Margaret Thatcher took power, according to statistics released today by the Inland Revenue.

They show that the share of marketable wealth (excluding pension rights) owned by the poorest 75 per cent of the population fell from 24 to 19 per cent between 1980 and 1982. In the previous 13 years, from 1968 to 1979, the proportion had risen steadily from 13 to 24 per cent.

The figures are compiled from an analysis of the estates of people who died in the relevant years, with a series of adjustments made in accordance with the definitions of the Royal Commission on the Distribu-

tion of Income and Wealth. They are generally accepted as the most reliable indicators of the distribution of wealth.

Over the same period, the proportion of wealth held by the poorest 90 per cent of the population rose from 31 to 49 per cent from 1968 to 1980 and then fell to 44 per cent by 1982.

The yield from capital transfer tax, the main tax on inherited wealth, is likely to increase substantially over the next few years. Statistics compiled for the first time indicate that 83 per cent of the value of the estates of married men which were large enough to be liable to capital transfer tax were left to their wives in 1981. Tax is not imposed on estates transferred between husband and wife until the surviving spouse has died.

Britain banks £440m EEC budget refund

BY ROBIN PAULEY

BRITAIN'S refund from the EEC Commission has finally arrived. Mr Ian Stewart, Treasury Economic Secretary, told a House of Commons select committee last night that the £440m net refund owing to the British Government from the 1983 EEC budget was transferred to a UK account on Friday.

This means that a net amount of about £2.5bn has been paid in EEC budgetary refunds to Britain since 1980. There will be no more such refunds because a change in the EEC funding arrangements means that future refunds will come automatically through abatement of the UK's VAT contributions to the Common Market budget, Mr Stewart told the all-party Treasury and Civil Service Select Committee.

Widespread understanding of this

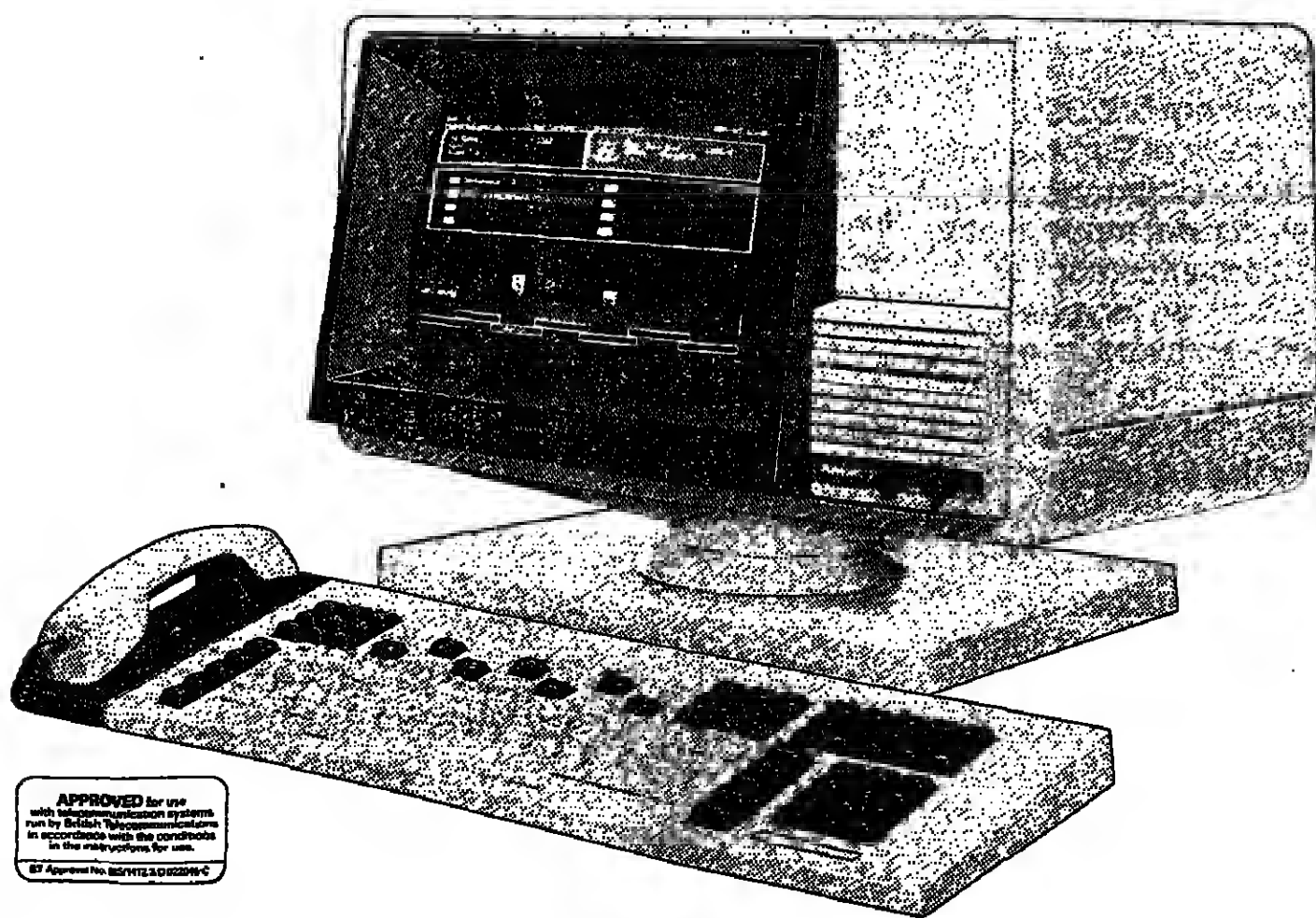
new form of refund had led to unwarranted speculation about the extra cost to Britain of national contributions to the EEC budget were raised from the present level of 1 per cent of total VAT revenue to 1.4 per cent.

The abatement procedure would probably leave Britain still below the present 1 per cent ceiling, Mr Stewart added.

He also warned the committee that supplementary finance for the EEC would be inevitable towards the end of next year because the 1985 budget proposals would be insufficient to cover the Common Agricultural Policy (CAP) commitments. There will have to be a supplementary budget to deal with the "overrun", he said.

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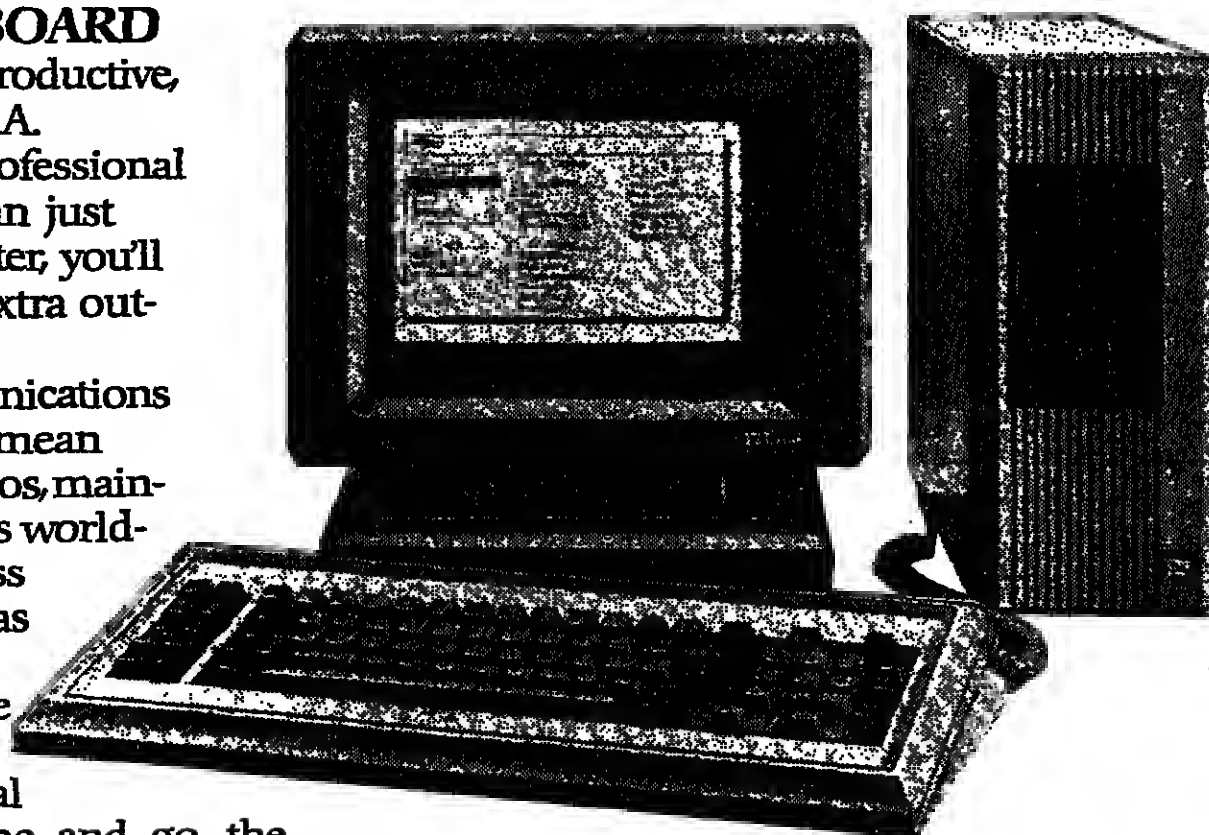
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UK NEWS

Judge imposes deadline over rescue of Esal

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A CONTROVERSIAL scheme by a consortium of creditor banks to rescue Esal (Commodities) from compulsory liquidation will be rejected by the High Court if it is not presented to the court on November 7, a judge said yesterday.

Mr Justice Harman issued the warning after being told that Esal was not ready to put forward the scheme, which had been listed for sanction by the court yesterday.

The judge said that a petition to wind-up the company, presented by London & Overseas Sugar (LOS), would also be heard on November 7.

Mr Gabriel Moss, for London & Overseas Sugar, petitioning as a creditor for £1.4m, said it had just received evidence from Esal disputing LOS's whole debt - despite the fact that in the scheme there was an admission that Esal owed LOS \$3.3m.

Miss Mary Arden, for Allied Arab Bank, which supports the petition and opposes the rescue scheme, said that the absence of evidence about new assets, referred to in the scheme, supported the view that the scheme was unviable.

Mr John Brisby, for Allied Inter-

national Bank, another petition supporter, said that many creditors were worried about the nature of the new assets. Requests for information had been met with "a wall of silence," he said.

Counsel for Middle East Bank, a creditor for \$24.4m, said it had originally supported the winding-up petition, but had now changed over and supported the rescue scheme.

Mr John McDonnell, QC, for Esal, complained that creditors opposing the scheme had had "a field day" making allegations unsupported by a shred of evidence.

More than 75 per cent of Esal's creditors had voted for the scheme, he said.

Mr John Mummery, for the Inland Revenue, said he was concerned that the scheme made no provision for Esal's tax liabilities.

Among those supporting a winding-up is Credex International, a creditor for £1.8m. Scheme supporters include Export Antwerp, creditors for \$5.1m, Central Bank of India (\$49.5m) and Beghin Say.

Esal had debts of about £200m when it stopped trading earlier this year.

Massa to sell Austin Rover cars

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE MASSA supermarket chain of West Germany opened 22 car dealership yesterday which will exclusively sell models from Austin Rover, the state-owned BL's volume car subsidiary in Britain.

Massa, with an annual turnover of about £1bn, has spent about £5m on the dealerships, which are on sites that also accommodate the group's hypermarkets, travel agencies, estate agencies and other retail outlets.

Such is the strength of the Massa organisation that Mr Mark Snowden, Austin Rover's managing director (commercial), maintained that his company would double its car sales in West Germany, even

though the new outlets represent only a 10 per cent addition to the 198 German dealers previously holding the franchise.

Last year Austin Rover sold 4,014 cars in Germany for a 0.16 per cent market share, down from 4,156 or 0.19 per cent in 1982. Mr Snowden said yesterday: "With the range of cars we are producing today we believe we can make a significant inroad into the German market. Although our share is currently very small, we hope to achieve a 1 per cent penetration by 1986."

The deal has upset some of the long-serving dealers in Germany, many of whom also hold franchises

for other makes. But Mr Trevor Taylor, Austin Rover's sales and marketing director, said something had to be done if the company was to make any impression in Western Europe's largest car market, with 2.42m registrations last year against the record 1.79m in the UK.

"Our network was awful. Dealers have been selling fewer than 28 cars a year each on average," Mr Taylor said. This was partly due to the fact that "Germans buy German products" and that the images of both British goods and Austin Rover in Germany were poor.

Mr Taylor said about 27,000 car buyers a week visited each Massa outlet. The company's range Metro,

Maestro and Rover - would be strengthened by the addition of the Montego, which went on sale in Germany yesterday and the Rover 200, based on the Honda Ballade.

The push into Germany is part of Austin Rover's plan to reduce its dependence on the UK market by building total European continental sales from about 80,000 last year to between 150,000 and 170,000 annually in three to four years' time.

The company paved the way by reorganising its operations in Germany last year while at the same time disengaging them from those of Jaguar, the luxury car group recently sold back to the private sector by BL.

Suzuki personal import scheme halted

BY JOHN GRIFFITHS

JAPAN'S Ministry of Trade and Industry (Mitl) has intervened to halt personal imports to the UK of Suzuki cars from the Netherlands.

Despite being the head of both companies, Mr Agg has insisted that both import operations have been completely separate.

The scheme had centred on a light four-wheel-drive model which has been particularly successful in the UK and for which there is a waiting list of several months.

Suzuki's 70-strong dealer network encouraged frustrated would-be buyers to make personal imports

via Trojan. All paperwork was completed by Trojan and buyers were escorted by courier to pick up right-hand-drive vehicles from stocks held in the Netherlands.

Mitl's decision to block shipments of the cars destined for the Netherlands supported, apparently, by the Japanese Automobile Manufacturers' Association - illustrates that the role played by the Japanese Government in the conduct of the Japanese motor industry is stronger than has been widely appreciated.

Paradoxically, the decision - taken, said Mr Agg, on the basis that "the Japanese do not want to antagonise anyone" - is at odds with an EEC directive due to come into force next year designed to make vehicles more available within the Community as a spur to price competition.

Mr Agg has refused to say how many vehicles have been imported through Trojan. He has described the company's activities as covering any type or make of vehicle.

Directors object to EEC's plans for worker participation

BY WALTER ELLIS

STRONGLY-WORDED opposition to two proposed changes in EEC company law affecting the rights of management and workers will be expressed to a House of Commons committee today by the Institute of Directors (IOD).

The IOD, which has 30,000 members throughout British industry, believes that proposals from Brussels aimed at extending employee consultation and increasing worker participation in management are simply disguised attempts at social engineering, "irrelevant to the creation of a true Common Market and the generation of new employment."

While welcoming the rapidly increasing use in the UK of employee consultation, the IOD feels that the so-called Vredeling Directive, under consideration in Brussels, "would impose on all companies over a certain size a straitjacket designed for only some and would seriously undermine the competitive position of British business."

The proposed Fifth Company Law Directive on worker participation is similarly dismissed. The IOD claims that the directive would make it extremely difficult for management "to take the necessary decisions with the required speed at a time when maximum flexibility in response to changing circumstances is an essential prerequisite of economic recovery."

In a paper to be presented today to the House of Commons Treasury and Civil Service committees into the financial and economic consequences of British membership of the European Communities, the IOD concludes that the real obstacle to joint industrial undertakings in Europe "is not inadequate harmonisation of company law, but inadequate consideration of the internal market."

The Institute of Directors, not surprisingly, reaffirms its commitment to British EEC membership. But it stresses that the UK's success or otherwise will depend on a sound home economy and radical reforms of how the Community is run.

It believes that the most important task facing the EEC is the establishment of a single European market free of internal barriers to trade in goods and services.

It is "deeply concerned" about the alleged failure of the Community to implement major parts of the Treaty of Rome in this area. It adds that there has been "a lack of serious political commitment to the revitalisation of the European economy."

A recent survey of IOD membership revealed that only 24 per cent of those questioned felt that British membership of the Community had resulted in any tangible benefit for their company.

Broker predicts nearly 5m jobless by 1987

BY MICHAEL PROWSE

ALMOST 5m Britons will be without real jobs by 1987, Grieseson Grant, the stockbroker, says in its latest economic review. It forecasts unemployment of 3.8m by 1987 with a further 1m individuals on special employment schemes.

Total unemployment is expected to rise by 800,000 over the next three years, even though Grieseson is forecasting average economic growth of 2.3 per cent a year over the period. Two thirds of the rise in unemployment will reflect a bigger supply of labour caused by demographic trends, it adds.

The broker argues that a further expansion of "special" training schemes will not solve the problem. The cause of unemployment is a lack of jobs, it claims, not a labour force which lacks skills.

The Government's "microeconomic" policies to reduce unemployment - changes to corporate taxation, for example, or measures to increase the flexibility of labour markets - will take at least a decade to reduce significantly the level of unemployment.

It is "misleading" of Mr Nigel Lawson, the Chancellor of the Exchequer, to suggest that high real wages are the cause of high unemployment, Grieseson adds.

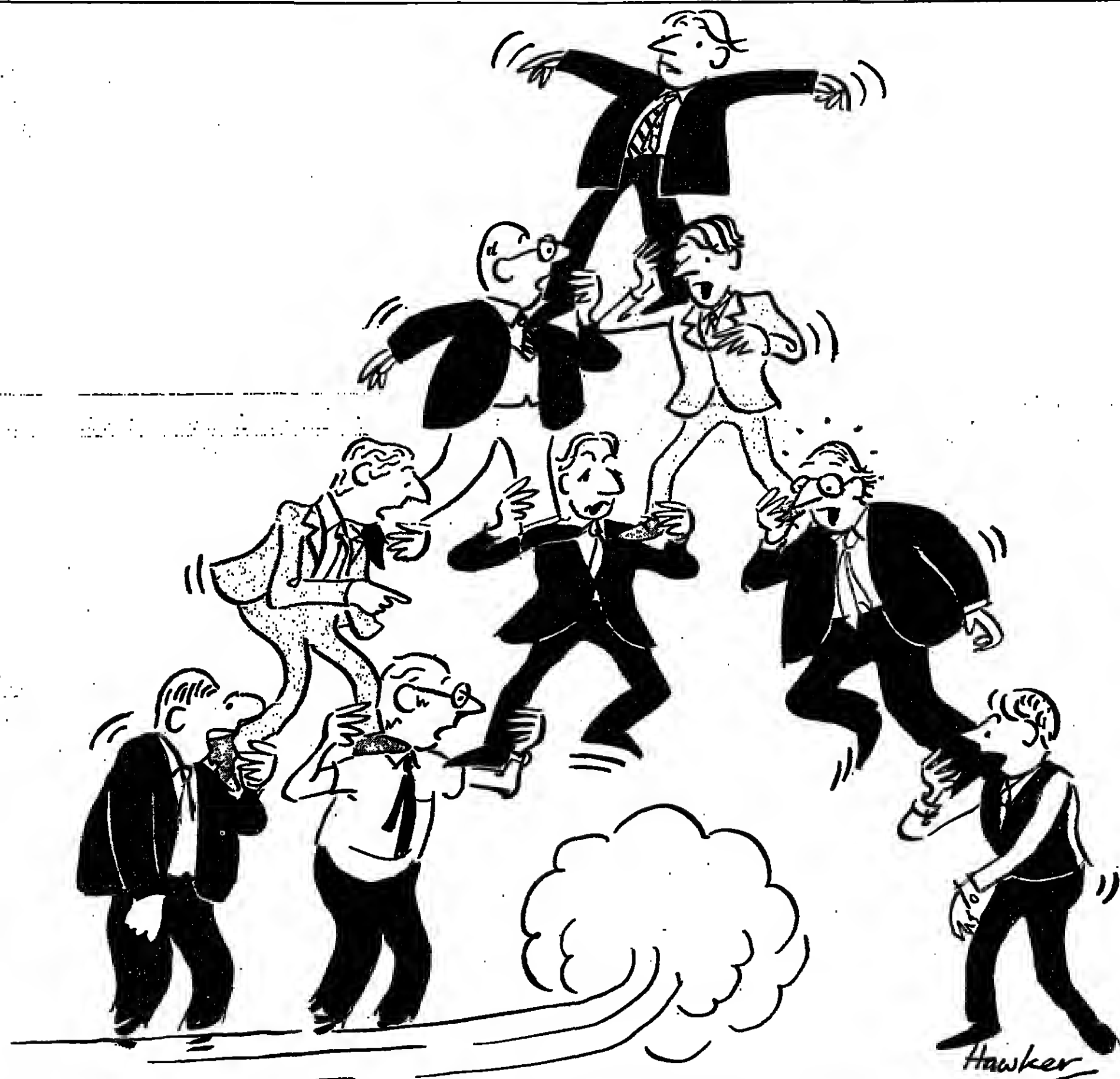
The present unemployment rate probably has little to do with recent wage increases which have lagged behind productivity, it maintains. Mr Lawson "needs to do a great deal of empirical work" to back his claim that wage cuts would help.

Grieseson appears to hold out no hope of a fall in unemployment before 1987. The lack of simple cures will intensify pressure for deflation while offering little serious prospect of any permanent new jobs.

Hints at the recent Brighton conference that the Conservative Party might be more ready to contemplate deflation led to a sharp rise in the price of index-linked government securities, Grieseson points out, which shows the fragile state of inflation expectations.

A separate report published yesterday was pessimistic about inflation. Cambridge Econometrics, the forecasting firm, expects static productivity higher wages and the falling pound to result in a sharp rise in UK inflation next year to about 7 per cent.

It also forecasts that the revival of UK manufacturing will peter out and that 1986 will be a year of worldwide recession. By the early 1990s, as oil exports dwindle, the UK will again face balance of payments crises.



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THE ARTS

Hong Kong's Asian Arts

To anyone visiting Hong Kong for the first time, the city is many things, all of them irresistibly exciting: a teeming agglomeration of co-existent opposites, of Western surface and Eastern core, of glittering commercial heights and abject, jam-packed slum depths, of concrete canyons with ancient temples in their midst, or urban turbulence and pastoral peace, mainland and island, land and sea water. It must occur to few first-time visitors to call the city a "cultural desert"; if anything, the confrontation of cultures is an experience almost too various, vivid and crowded to be absorbed all at once.

Yet, until at least the middle of the past decade, "cultural desert" was a phrase on the lips of many Hong Kong residents. Two main factors have been responsible for the watering of the desert. One has been the generous provision of buildings, most of them in the Urban Council, in which artistic events of widely different kinds could be housed—Hong Kong has, I would guess, the largest number of recent, new, or striking auditoria of any world city of comparable size or population. The other has been the provision of festivals—and the Chinese taste for festivals of all kinds must have been an encouragement here—in which the venues could be shown off at peak activity. The Film Festival is a spring event; the Arts Festival (on which Anthony Thorneycroft reported in these pages a couple of years back) is an annual "international" compilation running for a month or so in the early part of the year.

Perhaps the most adventurous, certainly the most specifically oriental festival is the third, the Festival of Asian Arts, currently (October 18-November 4) well into its ninth season. It must be said that the title should really be amended to "Arts of Asia and the

Pacific," for the professed intention is to range widely across that prescribed area, and in the nine festivals it is being fulfilled. Twenty countries have so far sent representatives—Turkey in the west, Tahiti (a newcomer this year) in the east, Japan, Korea and mainland China in the north and Australia and New Zealand in the south have touched in the main points of the festival compass.

The motto is to "educate as well as entertain," to "enhance understanding, friendship, and closer relations" throughout the region. At this particular point in Hong Kong's history, it hardly requires an unusually gifted observer of foreign affairs to appreciate the significance that such aims can acquire, beyond the immediate confines and impact of each festival bill of fare.

As a guest of the festival, able to spend no more than the five opening days sampling wares, I was thrilled beyond measure by the experience; education and entertainment were acquired in the most painless and colourful manner imaginable. Hong Kong is not the world's only ethnic arts festival (the sterling work of Durham, much nearer at hand and worldwide in its scrutiny, should not be forgotten). But the location is incomparable, and the ability to use the advantages of a central, theatrical site to permit a schedule varied and balanced was shown, even on this first, short encounter, to be carefully and (for the most part) accurately judged.

The revelation of these first five days, came with the Minang Dance Group from western Sumatra. As ever in such things, the term has to be stretched, in western comprehension, to include those who are also instrumentalists, players who also sing,

and a musical presence every bit as glowing and potent as the visual. The dance was, for the most part, a choreographic selection of traditional dance and mime elements; an amateur first introduced to Indonesian arts by the Javanese visitors to London a couple of years ago was able to note here an overall similarity of style infected by divergences of detail.

These could be most fully observed in the two high points of the Minang programme, a sensational Plate Dance—rich howls whirled around in softly athletic motions that never once struck out for "effect"—and, as a long finale, a summary of a traditional Minangkaban village celebration built up in episodes of song, martial jousting and movement. This was brought to an enthralling climax at the point where the full company (seven each of males and females) sat in a cross-legged line while heads, arms and torsos wound in and out of each other with the precision of a cal case at Radio City eborines. Costumes—rose and coral pink, brilliant yellow, black—and bodies and faces combined pride, boldness and sweetly reticent beauty of line in a way to leave images glowing in the mind for days afterwards.

As did the sounds and sights of two Cantonese opera performances, *Drum of the Red Chamber* and a comedy, *Happy Affair at Hua Tian*, but for rather different reasons. The visitor to Cantonese opera who has not a word of Cantonese, and is further handicapped by a limited ability to appreciate the very special timbre and delivery of the Chinese soprano voice, must take his pleasure in rather more haphazard fashion: from the colour of the spectacle, from the minutely calculated patterning of make-up and costume movement, (one wonderfully expressive, long sleeves!), from the manner in



Chor Fung Ming Opera Troupe: a scene from 'Happy Affair at Hua Tian'

which all the familiar elements of the European popular opera, dialogue, recitative, aria, and so on, are shuffled into an entirely unfamiliar form. (Even the audience, chattering away between whistles, wandering in and out, snapping away with cameras, seemed the modern Chinese evocation of its 18th-century European counterpart.)

A closer point of contact was provided by the Hong Kong Chinese Orchestra. Founded in 1977 by Ng Tia-kong, it asserts traditional Chinese musical instruments into orchestral departments after the 18th century European Romantic model (the "Chinese orchestra" in this sense is about 50 years old). Bowed and plucked string instruments ranged by pitch, (but no brass), percussion, and also two varieties of keyboard "continuo" added up

to a sonority at once orchestral and startlingly unlike what the term usually conveys—the prevailing brightness and vibrancy of timbre and the absence of intermediate and blended shades did as much as anything else in the five-day period to impress on these ears the sheer "difference" of the festival experience.

From the items of the programme, and generalising wildly, I would guess that the repertoire of the Chinese orchestra is still in its early Mannheim phase, with many pieces yet to be written. But a London audience might find a visit by the Hong Kong Orchestra a delightful and fascinating novelty.

It was strange to gorge oneself on the pleasures of the festival (which also include exhibitions and free open-air presentations of each festival

company) while reading in the local Press complaint of "the mixture as before" of budget (an estimated 3.8m Hong Kong dollars) not well spent, at seats unsold, and of certain programme choices ill-advised. In the case of the opening choice, an evening of dreadful nationalistic kitsch in vaudeville form from the Philippines, the comment was accurate; but of the festival as a whole it seemed small-minded. Perhaps some of the most enterprising and the greatest local cherishing and preservation. And perhaps the time has come to attract a few more European visitors, from the recent successful proliferation of "ethnic" events in London, one knows that there exists here a body of generally interested spectators capable of being wooed eastwards.

Max Loppert

Wexford Festival—1

David Murray

The charms of Wexford and its besotted opera-lovers is unfading, even the didactic weather, veering between Arctic rain and luminous blue skies. The Festival Fringe has expanded with midnight recitals and cabarets acknowledging the visitors' reluctance to go to bed. In daytime there are programmes of semi-staged operatic "scenes" to let members of the hand-picked chorus show their solo pieces; and the star singers and the orchestral players can regularly be found receiving compliments and discussing interpretation over drinks in White's or the Talbot Hotel.

The main menu again offers a trio of rare operas, excellently contrasted (Massenet, Cimarosa, Smetana) and enhanced by the Artistic Director's genius for casting—the Festival budget can't run to great names, but Elaine Pryor has a natural gift for finding the right singer for the right role. It is harder to outguess the whims of producers: this year Cimarosa's equally suffering (more about that tomorrow) where Massenet and Smetana throw in devotedly faithful stagings.

Le Jongleur de Notre Dame, Massenet's 1900 Miracle in three acts, recounts the pious tale of the juggler-turned-milkman who scandalises his brethren but delights the Virgin by performing his act—the only prize he has to offer before her statue in the Abbey of Clugny, conducted by a monk, blessedly of course. Even some of the faithful might fear this to be indigestible stuff, given that the naïf portrait of the Juggler is neither distanced by irony nor leavened by honest humour. There is no female principal. It is an expertly concise score, however, and nothing like so sugary as expected—though two or three gestures borrowed from Puccini sound like tempting fate.

It is a late work, and unusually far Massenet he wrote it for no immediate commercial prospect. He was sent the libretto anonymously (it proved to be by Maurice Léna, a Professor at Philadelphie), was charmed, and set to composing it forthwith. There must have been some self-identification with the Juggler and his humble market-tricks; Massenet had good reason enough to view himself as just a professional, exercising his skill with practised skill. Hence, perhaps, the kindly kind sketch of the Juggler; but there is also a good stern Prior, and an earthy cook Bon-

face, and some more rigorous fervour in the music for four monks who pursue more elevated arts.

On the first night it seems that the ailing Patrick Power, as the Juggler, ran out of voice (not inappropriate for the story, but inconvenient for the music). By the weekend he was able to wield his stylus rather to much better effect, serious and touching, though his dexterity hasn't developed beyond page 3 or 4 of "Juggling for the Complete Klutz." A certain expressing restraint might have been medical prudence, but might equally have resulted from his evident care for the vocal idiom and its limits.

Visiting from Leningrad, Sergei Leiferkus delivered Bani-face's a monologue powerfully rapt rather than rumbustious. Christian du Plessis sang the role of the Prior, his appearance was over-zealous, and among the four artist-monks John Ceshmare and Grant Shetley had the best opportunities and seized them well. The small chorus of monks was very good, despite plastic bald pates that suggested endemic Benedictine ringworm. In John Engels' crisp, taking designs, Stefan Janski staged the tale with sympathy as Van Pascal's telling pretty fidelity, not even shirking the final kitsch vision of the Virgin with angels.

Smetana's *The Kiss* is another late work, aglow with yearning after a simpler life. Albert Roser conducted the rather sumptuous score—all generous humanity, not very responsive to the surface battles of the stiff-necked lovers which supply the plot—with as much sympathy as Van Pascal's teller brought to Massenet. Marie Storch's experience in this repertoire, and Eduardo Alvarez's lusty, husky tenor, brought the lovers to credible life in Tuby Robert's clean, spare production. They had lively support all round, especially from Patricia Johnson's local Auntie Mame, Richard Rabson's dashing smuggler and the bright servant-girl of Nancy Hermon.

As a comic-dramatic piece *The Kiss* needs a lot of good will, or at least the fortification of Czech nostalgia. The tale is peasant-plain (girl won't kiss her affianced widower until properly wed, widower kisses another instead, mutual recriminations follow—and a wholly improbable excursion by girl into amateur smuggling). Smetana lavishes warmth and good polka-times on everything, if not excited, one is nonetheless roundly disarmed.

Yefim Bronfman/Elizabeth Hall

Dominic Gill

The young Russian-Israeli pianist Yefim Bronfman has made a number of concerto and chamber-music appearances in London since his debut in 1981, but Sunday afternoon's was only his second solo recital on the South Bank. He is a big pianist, with powerful fingers. The articulation has splendid clarity, especially in fast and rhythmically complex music, and there is a powerful rhythmic drive; the platform presence is relaxed and confident.

He introduced Beethoven's D major sonata op. 10, no. 3, with a presto of impressive resolution and cogency. Ideally, perhaps, a slightly less sonorous could have given this movement, and the great largo, a richer harmonic underpinning—but that's a small reservation, and hardly touches on the real strengths of the performance: energy, clarity, firm and careful exposition.

I should like to hear Mr Bronfman one day begin the Menuetto another way: a shade more quietly, half a shade more slowly, rising like a mist, almost at once, from the tango. Nothing

the score forbids it. Bronfman continued with all of Chopin's op. 10 Etudes. Insecure and showy pianists (like Andrei Gavrilov last week) play the opening C major Etude just faster than they can manage with clarity. Bronfman's tempo was exactly right, even quaver cut in crystal, but balanced exactly on a razor edge.

He is also better at phrasing tenderly than finding a precise and tender sonority; a more finely integrated, chord-sequence less relentlessly top-noted, would have helped match the sound to its physical frame in the E major and E flat minor Etudes.

That's an unusual tendency: most pianists sound much better than they phrase. His account of the Prokofiev spazza was exceptionally well crafted and intelligent—but the sound was curiously unresponsive, magical; and the finale particularly, though it did not lack breadth and impetus, never revealed even a passing grain of its humour. For a perfect match in Prokofiev, combine, say, Ivo Pogorelich's instinctive buoyant sensibility with Bronfman's discipline and command of line.



Detail from 'La Famille' by Watteau

of Watteau's last years, when it seemed that his ambition was regenerating itself as he took on and mastered a more ample scale, and more complex material. Here, side by side, the Charlottenburg, are the two versions of the most comprehensive of the artist's masterpieces, the *Plumage* and *The Departure for Cythera*, which is the island of Love. From flirtation to courtship to acceptance, the gentle procession winds over the brow of the hill in the evening sun and so down to the enchanted boat.

And then the day-dream is broken as we turn to the extraordinary figure of Gilles, the Pierrot of the Commedia dell'Arte, full length with his companions below and behind

him, at once one of the grandest of portraits in all art, and one of the most poignant in its humane understanding. But that is not all, for between Cythera and Gilles, the last masterpiece of Watteau, is the *Plumage*, which is the island of Love. From flirtation to courtship to acceptance, the gentle procession winds over the brow of the hill in the evening sun and so down to the enchanted boat.

William Packer

Mysteries of Watteau in Paris

Of all the great painters, Antoine Watteau is one of the most tantalising and elusive in his work, one of the most markedly inconsistent. There is no rule which says that an acknowledged master may only paint masterpieces. But with Watteau we must face that negative truth rather more squarely than usual: so contrary and ambiguous does he appear to be even in his most accomplished works.

He is, I must confess, one of my favourite artists, one whose work regularly stops me in my tracks when it comes upon it unexpectedly, or draws me out of my way to see it and its fascination, its hauntingly imaginative power, seems only to increase for me the more I see it and yet fail to reconcile its manifold virtues with its shortcomings.

He is the most seductive of draughtsmen and yet so often the most off-hand, if not actually slipshod, with the most delicate and exact of observation, that catches every nuance of gesture and expression, teetering away abruptly into empty, unresolved form and casually mannered notation. Some of the drawings are yet so perfect they take the breath away, ravishing the senses with wonderful ease and economy that amount almost to presumption.

And so too the paintings, exquisite pairings of mood and atmosphere and psychological intensity, erotic innuendo hanging in the air like smoke on a still day. Some of them indeed are all but flawless and we move on to the next to find a weakness that sits off to the side, formal problems again unresolved, perspectives and proportions that sit oddly in the figure allotted them. It was Walter Pater who

said that "All art constantly aspires to the condition of music," and, in music, such discords are not necessarily unpleasant or misconceived.

Pater was speaking there apropos of the School of Giorgione, and somewhat ironically in this connection, of the indistinguishability in music of the matter from the form. More to the point, in a later study he concludes an "imaginary portrait" of Watteau with the following rather elegiac comment: "He was always a seeker after something in the world that is there in no satisfying measure, or not at all. And perhaps it really is with Watteau that quality not so much of loss, exactly, as of an achievement which can never quite be grasped, that slips through the fingers as they close upon it, in which resides the peculiar, melancholic force of his work."

It is certainly possible say, Pater, that all art aspires towards a condition of melancholy; for it is in art, and in the concentrated experience it affords us, that we may consider the generalised and essential evanescence of the human condition, and our own particular vulnerability; not strange at all how potent cheap music is.

Watteau stands at a most particular juncture in the history of art, the turning of the 18th upon the 17th centuries with all its modulations in the general cultural sensibility, as the times moved on into no less hedonistic but rather more secular age. This is the time of the essential changes, again, a cusp—between French and Flemish influence—and it does not do for us, who would take him as so quintessentially French an artist, to forget that provenance. He went to Paris

and into the orbit of the Court, flourished for too short a spell, and died of consumption in 1721, at the age of 37.

His early work clearly shows up the importance to him of that Flemish example, and if from Rubens he was to take up certain themes and ideas, most notably the thought of the Garden of Love and in some of the later work a certain ebullience of composition, it was rather more to the later Dutch and Flemish painters that he looked, to Teniers the Younger for example, and to Wouwermans (an unaccountable omission from the Dutch genre show at the Academy), for the small scale on which he worked, and the possibilities of genre material.

But Watteau was never entirely content with the merely everyday, for there is ever present in his work an air of fantasy and romantic day-dream of an ideal world. No wonder that he was so struck with ideas of the Gardens of Love, and the Concert Champêtre, and amorous dalliance beneath the trees, ideas that were by no means new and which take us back indeed rather beyond Rubens and the way to Venice and Giorgione, another tantalising and elusive artist.

Where Watteau moved on, however, and taking the ideas with him, made his own, was in his dispensing instinctively with the distancing device of classical allusion. There were distancing devices left him even so, most especially the generalised and theatrical locations, those Clelandian arcades, terraces and glades in which he set his tableaux for he was indeed a child of the 17th century. But these are real people, for all their fancy dress, going about their

delicate, discreet, hopeful business beneath the trees. L'enchantement with his pair, L'avenant, are the two figures of the *Repos gracieux*, Amusements champêtres, Récréation galante, Les plaisirs du bal—such titles tell us all too much, as they tell us so little, about what goes on.

And it is the nicest paradox that so many of the paintings should be the most openly realistic and accessible, as though by virtue of their costumes the actors of the Commedia dell'Arte and the Théâtre français would step out on to their stage tonight.

The great exhibition of the drawings, paintings and engravings of Watteau, that now occupies the principal galleries of the Grand Palais in Paris (until January 28—it was in Washington in the summer, and goes on to the Charlottenburg in Berlin in the spring), is by no means exhaustive. A great many of the finest works are held in collections that by statute may not lend them, and there have been besides, of course, a number of hiccups, disappointments and refusals that have kept other masterpieces away. So the Petit Journal to the exhibition rather tartly puts it (the magnificent catalogue, at nearly £20 and half a ton, is far from petit), "For all that, the artist has not been able to obtain the loan of the two marvellous canvases in the Dresden Museum, and a few refusals (Edinburgh, London) have deprived the Parisian public of certain master-works." Well, well, so much for the entente cordiale.

But the show comes to an extraordinary climax, nevertheless, far hung together within an arm's length, or so it feels, are the four great masterpieces

Arts Guide

Music/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibitions/Thursday, A selective guide to all the Arts appears each Friday.

Oct 26-Nov 1

Opera and Ballet

ITALY

Trieste, Teatro Comunale G. Verdi: Saint Smea's Season of Dalia sung by Carlo Cossutta and Maria Luisa Nave conducted on Tue by Pinchas Steinberg. (84.19.49).

NEW YORK

Metropolitan Opera (Opera House): The season's first Mason Leontine conducted by Nello Santi joins the repertoire, which includes La Bohème in the local conducting of Claudio Abbado, as well as Jean-Pierre Ponnelle's new production of La Cenerentola di Tito conducted by James Levine and starring Renata Scott, Tatiana Troyanos and Kenneth Riegel; and Julius Rudel conducting Otto Schenk's production of Les Contes d'Hoffmann. (60.35.55).

New York City Opera (New York State Theatre): The week's feature performances of Frank Corsaro's production of La Traviata conducted by Klaus Wisner, taken with soprano Giana Rolandi, mezzo-soprano Susanna Marce and tenor Barry McCauley as directed by Fabrizio Mancini and costed by Ivore Polio: The Magic Flute, Mefistofele, and Cavalleria Rusticana / Pagliacci. Lincoln Center (870.5570).

VIENNA

Staatstheater (53.24/2535): La Traviata conducted by Guglielmo with Gubrovics, The Magic Flute with Martha Rysanek, and the Vienna Boys Choir; Così Fan Tutte in a new pro-

WEST GERMANY

Berlin, Deutsche Oper: Janacek's rarely played Aus Einem Totenhaus returns to the programme, Salome is steered to triumph by Karen Armstrong in the title role. Lucia di Lemmermoor is conducted by Carlo Franzini and has Lucia Liberti and Piero Viscanti in the main parts. Jenfa has Gabriela Benackova making her Berlin debut in the title role. Der Troubadour, conducted by Herbert von Karajan, rounds off the week. (34.381).

Hamburg, Staatsoper: L'Ormino, by Francesco Cavalli has fine interpretations by Jervid van der Schaaf in the title role and Daphne Evangelatos as princess. There are two Wagner operas on offer this week. Die Meistersinger von Nürnberg with Bernd Weikl as well as Der Fliegende Holländer. Franz Ferdinand Neutwig in the title role and Sophia Larson as Senta. (55.1151).

Cologne, Opera: Murieta composed for the Cologne Opera by Jens-Peter Osterode, a young German, is based on Pablo Neruda's drama Death and Glory. It describes the life of Joaquín Murieta as a Chilean immigrant in California. Produced by Hans Neugebauer, the opera has Allan Evans in the title role with De-

WASHINGTON OPERA SEASON

With seven productions, four of them new, the Washington Opera opens its most ambitious and longest season following the company's first appearance abroad at the Edinburgh Festival.

Highlights at the season, which lasts until February, include Jean-Pierre Ponnelle's production of *Le Nozze di Figaro* in a co-production with Paris conducted by Daniel Barenboim and a new production of *L'italiana in Algeri*, with François Llop as Rossini's comic Mustafa as directed by Leon Major and conducted by Joseph Rescigno.

Reveries in the 72-performance season include Menotti's *The Medium* and *The Telephone*, the production invited to Edinburgh, and Brian Macdonald's production of *The Rakoczi March*. Like a number of American operas, the company introduces English surtitles projected above the stage for productions sung in foreign languages.

Information on the first two productions appears in the Opera listing, Kennedy Center.

FRANK LIPSUS

Polish theatre / New York

Frank Lipsius

While 300,000 Polish emigrants over the past five years have contributed to the arts of America and Europe, the need for translation, venues and productions leaves Poland's great contemporary theatre at a disadvantage with the more accessible and immediate visual arts.

With the founding of the Polish Theatre Institute in New York, Polish plays may now begin to move across the Atlantic and show just how peering and exciting the theatre in Warsaw and Krakow has been—and to some degree remains, despite domestic stringencies.

The phonetic pronunciations of the Polish names in the programme indicate the didactic nature of the new enterprise, whose initial performers are the Polish actors, but with full Polish participation in the choice of plays, scenic design, background music and financial support.

Undaunted by the difficulties of mounting repertory theatre in America, where even established com-

panies have had to cut back on running more than one show at a time, the new Polish group is putting on two plays. The more ambitious, Sławomir Mrozek's *Alpha*, bears directly on Poland today, with its mustachioed eponymous hero looking as much as he sounds like Lech Walesa.

The setting is an elegant but rundown country estate where a national leader is being incarcerated after the military takes over a country which had a short happy period of freedom before the crackdown. Confronted with a number of people, from a colonel who represents the new regime to a tortured colleague ready to capitulate, the leader remains impassive until the jailers divert him with Etta, a prostitute who normally circulates among the highest ranks of government.

The most telling encounter is with a writer who accepts the regime's offer of exile despite Alpha's contempt, while the writer attributes to Alpha's unique role as the symbol of the revolution. While the writer contends that for himself

and the revolution it is better to continue working abroad than remain silent at home, he also tells Alpha that as a symbol of the country's cherished freedom, he lacks the mobility others retain.

Mrozek, himself exiled in France, writes with a subtlety that is not completely grasped in director John Beatty's production. Tom McLaughlin has the features, and even gestures, of a slightly taller Walesa, pacing the room like a caged tiger, raging at his confinement and the seeming betrayal of others. Mrozek's words, however, are, like Walesa's, beyond anger.

Alpha can argue effectively with a capitulating priest and nod when a foreign reporter puts words in his mouth about the worldwide revolution Alpha is becoming a part of. But with colleagues and Etta, he has a human side recognisable to neither the priest nor the journalist, the clerical and secular idealists. Alpha ultimately dies when he chases Etta, who is shot running out of the door as a jilted lover. Though not the

glorious end expected of the good revolutionary, it acts as preparation for the final irony, when the military regime adopts Alpha as its symbol.

Alexi Mylonas is a shrewd representative of the new regime, and Victoria Gadea a statuesque Etta, while set by Polish artist Andrzej Czesnot and Janusz Kapusta captures the best of Poland's shabby dignity.

Tamara Karen's *Who Was That Man?* uses the writing of paediatrician Janusz Korczak to remember a Jew who died during the war when he voluntarily joined the 200 youngsters in his orphanage on a trip to the death camps. A sad and moving tribute, the play is a difficult one-hander that Philip Pleasants plays with more deliberative respect than spirit.

If the Polish Theatre Institute continues to translate and bring contemporary plays to New York, it will do a vast service to Poland, which needs to be understood more than pitied.

ENERGY REVIEW

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Reforming Unesco

WITHIN THE next few weeks the British Government and perhaps others — are going to have to decide whether to follow the example of the U.S. and give notice of leaving Unesco, the UN agency charged with responsibility for the international dissemination of science, education and culture.

Under the rules of the organisation, a decision to withdraw has to be notified 12 months in advance. The U.S., which provides about 25 per cent of the agency's budget, announced its intention of leaving some time ago and it is almost certain that it will be out by the end of this year, though it is technically possible that the decision could be rescinded.

The official British position is that no decision has yet been taken. The Government sympathises with the American view that the agency is excessively bureaucratic, possibly corrupt and has become heavily over-politicised for example, in its pursuit of a new world information and communications order which could lead to the licensing of journalists and, in effect, the international legitimisation of state censorship.

There is a great deal of other nonsense in the agency's Unesco statements, and some of them are pure gobbledegook.

Objectives

Yet there is another way of looking at it. The original aims of the agency — the spread of literacy, for instance — are entirely laudable, and perhaps even more attainable in an age of television satellites. It would also be something of a political act to withdraw from an agency that, however imperfect, is part of the UN family. The costs to Britain of belonging are, incidentally, quite small — about £6m a year.

Thus British policy has been to seek reform rather than disintegration. There has been a specially established temporary committee of Unesco members, including Britain, looking at ways of controlling expenditure, reducing bureaucracy and eliminating some of the sillier programmes. One of the main objectives was to give member state more say in the way Unesco is run.

It cannot be stated that this exercise, now almost concluded, has been wholly successful. There are a few reservations about Unesco's budget, spending next year should rise by only 2 per cent in real terms, though all that is a bit dependent on whether the U.S. stays or goes.

Because of the financial restrictions some of the less desirable programmes will fall by the wayside. But the reformers have won something less than a complete victory.

Since the moment of decision has almost arrived, it may be worth trying to take a look at the broader picture. That includes how such decisions are made. There is no particular evidence that the American decision to withdraw was taken at the highest level or after detailed consultations, either internally or with America's friends. It happened somewhere in the bureaucracy and seemed to fit the political climate of the time.

In Britain there is no known evidence that Mrs Thatcher has any views on the subject. Possibly, even probably, she will choose to go along with President Reagan's general manager with responsibility for finance at CSR, the Sydney-based sugar company which also has big oil, coal and metals interests. CSR is still digesting its expansion in the Australian coal and oil industries. But it definitely fits our strategy to go offshore, says Mr Herbert. "We are heavily dependent upon exports

Membership

There appears to have been even less consultation between Britain and its European partners. It should be said in passing that France is in a special position because it is the host country to Unesco and has been trying to make it a European institution. Yet here is one question on which the European Community ought at least to be able to seek a common view. Culture, education and science are seen as the core of European tradition — so is their dissemination to the third world.

There is also a practice in the Community nowadays, though outside the Treaty of Rome, known as Political Co-operation. Whether to maintain membership of Unesco is a subject that ought to be high on its agenda. It is not.

So it looks as if the British decision will be taken in a pretty random way. Yet even now it ought to be possible to try to persuade the Americans to stay another year while further reforms are pursued and to take the Europeans along. Unesco should never have been allowed to get into such a mess in the first place, but the political consequences of walking out of a United Nations agency could be considerable. They are not yet being properly faced by the British Government.

The shadow over Latin America

FINANCIAL PROSPECTS for Latin America today seem more encouraging than even the most sanguine creditors could have predicted a year ago. Mexico and Venezuela have agreed to long-term reschedulings which promise uninterrupted interest payments for years ahead and push well into the future the tricky question of how much principal these countries can ultimately repay from their own resources. Brazil has performed a virtual miracle with its exports and imports, and is heading for a surplus of \$18bn on its trade account. Even Argentina has finally proposed an economic adjustment programme to the International Monetary Fund.

But it is still too early to pronounce the debt crisis over, as the Inter-American Development Bank warns this week in its Economic and Social Report. Trade surpluses and IMF agreements cannot guarantee a country's willingness to service debts for years, and even decades, ahead. Only if it can service its debts and improve economic conditions for its citizens at the same time, can a country be deemed genuinely credit-worthy, for sooner or later, the people's readiness for sacrifice on behalf of foreign bankers will run out. The ability to generate higher per capita incomes is the litmus test by which economic policy must ultimately be judged.

Payments

By this criterion, the debt crisis still casts a dark shadow over the whole of Latin America. The IDB points out that per capita gross domestic product fell by 9.5 per cent in Latin America as a whole from 1981 to 1983; in Brazil the fall was 11.1 per cent, in Argentina 13.5 per cent, and in Chile 18.4 per cent, concentrated in just two years. In the past 12 months conditions have certainly improved, but the IDB still maintains that recouping these enormous losses will be possible only "if the debt burden is reorganised in accordance with the countries' capacity to pay."

Translating this comment into figures, Mr Willy Van

Ryckeghem, the respected Chief of the IDB's Country Studies Division suggested over the weekend that no nation should be expected to spend on debt service payments more than 25 per cent of its export earnings. The unstated implication was that the current interest payments of most of the major debtors will have to be drastically scaled back and there can be no question of principal repayments in the foreseeable future. Applying the 25 per cent limit to Brazil, for instance, would imply a cut of more than one-third in the \$18bn the management is expected to pay in interest next year. In Mexico's case, interest payments would need to be reduced from \$14bn to \$9bn or so. Chile's interest bill would have to be cut in half. And in no case could there be any principal payments between now and the 21st century.

Sacrifice

Obviously there is nothing sacrosanct about Mr Van Ryckeghem's 25 per cent formula. Some nations might be able to afford to allocate far more of their export earnings to debt servicing and still retain some headroom for per capita income growth. In fact both Brazil and Mexico met next year management is expected to pay in interest next year. In Mexico's case, interest payments would need to be reduced from \$14bn to \$9bn or so. Chile's interest bill would have to be cut in half. And in no case could there be any principal payments between now and the 21st century.

After three years of economic sacrifice, Latin American nations are becoming impatient for the rewards in terms of higher consumption, jobs, price stability and, not least, a sense of national self-determination. Any setbacks which the debtors might suffer in the years ahead are unlikely to be met with further sacrifices and policy retrenchments. If the world economic recovery begins to falter in the next two years, the margin for error in the existing rescheduling arrangements could turn out to be desperately narrow.

WITH WORLD mineral prices chronically depressed and Australia's "resources boom" an embarrassed blush in many an overstretched balance sheet, it comes as some surprise to see the country's biggest raw materials companies striding oceans to make major, strategic acquisitions.

Led by Broken Hill Proprietary, which in April paid \$A1.7bn for General Electric's Utah division, it has begun to look as if a resources rush in reverse is under way. In the last fortnight, CRA, part-owned by the UK's Rio Tinto-Zinc and number two to BHP in the Australia resources league, has announced a \$A210m deal to buy 35 per cent of the German steel group now in the process of formation with the merger of Krupp and Klockner Werke; and GRA's aluminium subsidiary, Comalco, has agreed to pay \$A400m for the U.S. aluminium interests of Martin Marietta, the American aerospace company.

In the second quarter of this year, the flow of mining investment out of Australia actually exceeded the inflow, a remarkable and perhaps unprecedented statistical event for a country which depends upon mining for about 40 per cent of its exports. Nor will this be the end of the story. BHP has set aside \$A500m to buy an as yet unidentified U.S. oil company and has also been running its eye over properties in the UK sector of the North Sea, in part because it wants tax shelter for its growing overseas exploration effort.

"If we had the money, we'd be doing what CRA and BHP are doing—buying straw hats in winter," says Mr Gene Herbert, BHP's assistant general manager with responsibility for finance at CSR, the Sydney-based sugar company which also has big oil, coal and metals interests. CSR is still digesting its expansion in the Australian coal and oil industries. But it definitely fits our strategy to go offshore, says Mr Herbert. "We are heavily dependent upon exports

to Japan and would like to be inside more domestic markets. That could mean Australia or it could mean domestic markets in other countries."

"Straw hats in winter" is top of the corporate clichés in Australia these days, but the emerging strategies of companies like BHP, CRA and CSR are a good deal more complex than trying to buy into sectors when they are out of fashion and the assets cheap.

BHP's main stated reason for looking abroad is that it has outgrown the Australian economy. Its sales of \$A5.4bn last year were equivalent to more than 2.5 per cent of the nation's output.

"BHP has, for reasons of sheer size, felt constrained about taking over aggressively to the takeover trail," says Mr Brian Loton, who is credited with sweeping a few cobwebs out of the company since he became managing director two years ago.

BHP's size is also blamed for its dull performance in the stock market, since the main Australian institutions are said to be permanently in surfeit with BHP holdings. But accord-

ing to Mr David Adam, general manager for corporate affairs and chief link man in the Utah strategy, BHP is also pursuing two other objectives as it expands abroad: it is searching for new markets and for international management skills at penetrating them.

The Utah acquisition brought BHP worldwide interests in copper in Canada and Brazil, core in both the U.S. and Australia and other metals all over the world. It is significant that BHP has already decided that the oil company it is on the point of buying will be given to San Francisco-based Utah to manage.

"We have to maintain Utah as a significant operation, so that we retain the motivation of its management," says Mr Adam. And the key management skill, he adds, is marketing — "even more important than production."

This is a lesson many Australian resource companies have learned the hard way. They over-exposed themselves to Japan for sales of coal and iron ore, only to find the Japanese driving very hard bargains indeed when demand fell away in the past three years. CRA is still in dispute with its Japanese power utility customers over the fact that six months after the opening of the huge Blair Athol coal mine in Queensland, offtake is running at only half the contracted level. Such problems, coupled with low base metal prices, have caused serious financial strain at big mining houses like MIM Holdings and Seltrust, the company controlled by British Petroleum, which is now in the

process of being dragged from the collapsing edifice of its over-indebtedness.

"Many Australian mining companies have been driven by geologists and mining engineers," says Mr Norman Miskelly, chief mining analyst at stockbrokers Ord Minnett. "Eight out of 12 directors on the MIM board are engineers. CRA sees marketing as a way of making money. MIM sees it as a way of shifting the product."

Inside CRA, it has not gone unnoticed that its own main shareholder, RTZ, makes most of its money these days not from mining but from industrial products and that it is run, increasingly, by non-mining people.

The search for a more secure relationship with a more diverse array of markets, and thereby for added value, has been at the heart of Comalco's thinking for some time. Two years ago it bought 50 per cent of Showa Denko's Japanese aluminium business. The Martin Marietta purchase is designed to link U.S. downstream manufacture and marketing expertise with the output of low-cost Australian alumina, alumina and aluminium.

"In everything we do," says Mr John MacLeod, CRA's group economist, "you will find high technology and you will find market orientation." The technology is seen as ensuring CRA

keeps its positions as a low-cost producer and that it stays in the front line in product development.

The link with Klockner-Krupp is seen in a similar light. This deal will provide guaranteed markets for the output of Hammersley (CRA's iron ore subsidiary), which is otherwise threatened in the German market by ore from Brazil's Carajas mine, which is higher quality and cheaper to ship. It will also keep CRA on the inside of technological changes in ore processing, which it hopes could lead to some form of ore treatment or semi-finished steel operation alongside its West Australian iron ore pits. Those, because of the North West Shelf gas dis-

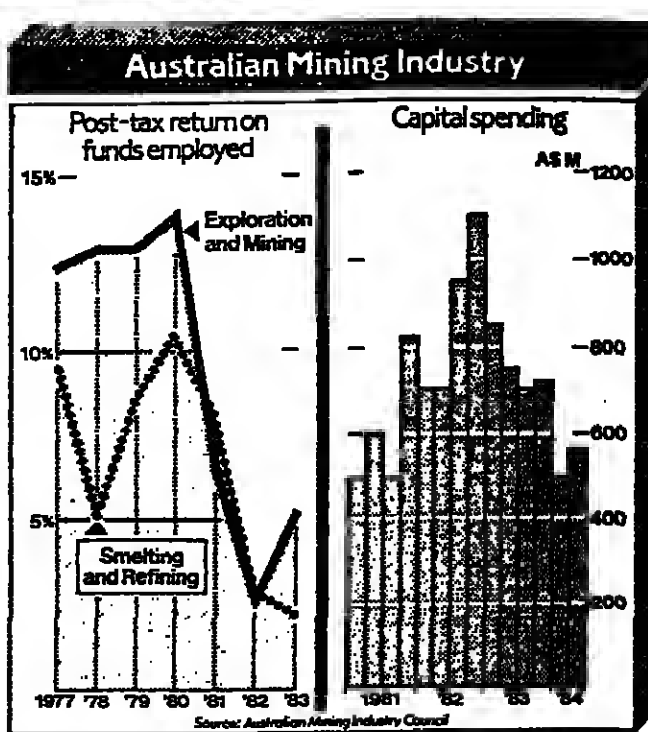
covery, have the possibility of cheap and abundant energy in the future. Hammersley has also just signed a major joint venture with China, which is typical of the quest for new Asian markets now under way in the Australian resources sector.

Apart from these specific, corporate goals, there are other underlying reasons why the time is right for Australian resource companies to be stepping out.

The most obvious is that some of them, apart from the over-gearred MIMs and Seltrusts, do have cash—even



Mr Brian Loton (left), managing director of BHP, and Sir Roderick Carnegie, chairman of CRA



Australian investment abroad

The rush to buy straw hats in winter

By Ian Hargreaves in Sydney

Marketing is seen as more crucial than production

to Japan and would like to be inside more domestic markets. That could mean Australia or it could mean domestic markets in other countries."

"Straw hats in winter" is top of the corporate clichés in Australia these days, but the emerging strategies of companies like BHP, CRA and CSR are a good deal more complex than trying to buy into sectors when they are out of fashion and the assets cheap.

BHP's main stated reason for looking abroad is that it has outgrown the Australian economy. Its sales of \$A5.4bn last year were equivalent to more than 2.5 per cent of the nation's output.

"BHP has, for reasons of sheer size, felt constrained about taking over aggressively to the takeover trail," says Mr Brian Loton, who is credited with sweeping a few cobwebs out of the company since he became managing director two years ago.

BHP's size is also blamed for its dull performance in the stock market, since the main Australian institutions are said to be permanently in surfeit with BHP holdings. But accord-

ing to Mr David Adam, general manager for corporate affairs and chief link man in the Utah strategy, BHP is also pursuing two other objectives as it expands abroad: it is searching for new markets and for international management skills at penetrating them.

The Utah acquisition brought BHP worldwide interests in copper in Canada and Brazil, core in both the U.S. and Australia and other metals all over the world. It is significant that BHP has already decided that the oil company it is on the point of buying will be given to San Francisco-based Utah to manage.

"We have to maintain Utah as a significant operation, so that we retain the motivation of its management," says Mr Adam. And the key management skill, he adds, is marketing — "even more important than production."

This is a lesson many Australian resource companies have learned the hard way. They over-exposed themselves to Japan for sales of coal and iron ore, only to find the Japanese driving very hard bargains indeed when demand fell away in the past three years. CRA is still in dispute with its Japanese power utility customers over the fact that six months after the opening of the huge Blair Athol coal mine in Queensland, offtake is running at only half the contracted level. Such problems, coupled with low base metal prices, have caused serious financial strain at big mining houses like MIM Holdings and Seltrust, the company controlled by British Petroleum, which is now in the

process of being dragged from the collapsing edifice of its over-indebtedness.

"Many Australian mining companies have been driven by geologists and mining engineers," says Mr Norman Miskelly, chief mining analyst at stockbrokers Ord Minnett. "Eight out of 12 directors on the MIM board are engineers. CRA sees marketing as a way of making money. MIM sees it as a way of shifting the product."

Inside CRA, it has not gone unnoticed that its own main shareholder, RTZ, makes most of its money these days not from mining but from industrial products and that it is run, increasingly, by non-mining people.

The search for a more secure relationship with a more diverse array of markets, and thereby for added value, has been at the heart of Comalco's thinking for some time. Two years ago it bought 50 per cent of Showa Denko's Japanese aluminium business. The Martin Marietta purchase is designed to link U.S. downstream manufacture and marketing expertise with the output of low-cost Australian alumina, alumina and aluminium.

"In everything we do," says Mr John MacLeod, CRA's group economist, "you will find high technology and you will find market orientation." The technology is seen as ensuring CRA

keeps its positions as a low-cost producer and that it stays in the front line in product development.

The link with Klockner-Krupp is seen in a similar light. This deal will provide guaranteed markets for the output of Hammersley (CRA's iron ore subsidiary), which is otherwise threatened in the German market by ore from Brazil's Carajas mine, which is higher quality and cheaper to ship. It will also keep CRA on the inside of technological changes in ore processing, which it hopes could lead to some form of ore treatment or semi-finished steel operation alongside its West Australian iron ore pits. Those, because of the North West Shelf gas dis-

covery, have the possibility of cheap and abundant energy in the future. Hammersley has also just signed a major joint venture with China, which is typical of the quest for new Asian markets now under way in the Australian resources sector.

Apart from these specific, corporate goals, there are other underlying reasons why the time is right for Australian resource companies to be stepping out.

The most obvious is that some of them, apart from the over-gearred MIMs and Seltrusts, do have cash—even

though the average returns in mining have dropped sharply from the resources boom years. BHP is in a special position, with a cash gusher in the Bass Straits oilfield and a transformed steel division, where productivity has risen by 40 per cent inside two years. But the fall of the Australian against the U.S. dollar in the past year has also helped offset price weakness in iron-ore and coal and low-cost zinc, though gold and uranium operations have performed quite well.

At the same time, because the resources rush is over, there is no call for short-term investment in new Australian base metal, iron ore or coal mines, which means that any resources company which has cash but is intent upon sticking to business must look for investment opportunities beyond Australia. The serious search for major minerals in Australia today is confined to gold and oil.

Fortunately for expansion-minded companies, these circumstances have coincided with the boisterous pragmatism of Mr Bob Hawke's popular Labor Government, which has lifted exchange controls and proved a sympathetic listener to the mining industries' case on vexed issues like Aboriginal land rights.

For companies like CRA and Remcon Goldfields, the widening of horizons has also been helped by their increased autonomy as UK shareholders have retreated under the pressure of Australianisation laws. Management looks and sounds more confident. Perhaps last year's America's Cup victory also helped. "What you are

observing," says one banker, "is the fact that Australia's major companies have come of age. Whether this new confidence will lead to success abroad is another matter. Although the BHP-Utah and Comalco-Marietta deals are considered pretty smart by competitors and commentators in Australia, CRA's participation in the German steel industry, with all its political problems, has raised some doubts."

There must also be a danger that even in the Comalco move, CRA is exchanging a position in the oversupplied alumina and bauxite markets for a bigger stake in the oversupplied aluminium business.

In Australia itself two big aluminium smelter projects are at the planning stage, one a venture between American, Australian and Korean interests to build a smelter in West Australia, the second involving Alcoa and the Government of Victoria in a smelter at Portland, near Melbourne. Both moves are seen as politically vital in transforming "quarry Australia" into a more sophisticated, value-added economy.

The Portland project is particularly ominous, since the state electricity commission has agreed to price power for the smelter—the main cost element—in line with world aluminium prices. This, in CRA's view, is a recipe for producing "social metal"—a mining industry term normally reserved for enterprises like Zaire's copper industry. It was notable that last week, only days after announcing the Marietta deal, Mr Mark Rayner, Comalco's chief executive, met normally reserved for enterprises like Zaire's copper industry. It was notable that last week, only days after announcing the Marietta deal, Mr Mark Rayner, Comalco's chief executive, met normally reserved for enterprises like Zaire's copper industry. It was notable that last week, only days after announcing the Marietta deal, Mr Mark Rayner, Comalco's chief executive, met normally reserved for enterprises like Zaire's copper industry.

But it would be wrong to give the impression that companies like BHP and CRA are abandoning their traditional Australian mining base for wild, foreign adventures. Both companies, along with other big

players like Western Mining, have been expanding their Australian oil and gold interests and only about one-tenth of BHP's assets are currently non-Australian.

If the foreign investment trickle does become a flood, there will clearly be some risk of a political backlash, especially if a re-elected Hawke Government finds itself under pressure from trade unions in the context of the country's crude oil and prices accord. Comalco's expansion in the U.S. seems certain to put an end to plans for expansion at its Australian, Boyne Island smelter.

Businessmen, of course, will continue to pay attention to the Australian economy can reap nothing but benefit from more international exposure, but the resource companies are in a special position. They know that their quarries, mineshafts and oilwells are still, for the most part, in Australia, and that they need Canberra's permission to export the contents. To that extent, it is clear that while Australia's resource companies may be out walking, they are not yet off the leash.

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Sir Roderick Carnegie, chairman of CRA

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Observer

ZAIRE'S ECONOMY

Taking the IMF medicine

By Michael Holman, recently in Kinshasa

THE SUGGESTION that Zaire, potentially one of Africa's richest nations but a notorious debt defaulter, has taken the path of economic rectitude might be greeted with the scepticism that probation officers reserve for hardened recidivists.

While the billboards of Kinshasa extol the virtues of President Mobutu Sese Seko, reputed to be one of the world's wealthiest men, Western governments end bankers have—until recently at least—had a distinctly jaundiced opinion of Zaire's leader.

After bringing stability to a nation riven by post-independence rivalry and bloodshed, he presided over an economic disaster which began with an ill-conceived nationalisation programme in 1973-74.

The economy suffered corruption on a scale rivalled only by Nigeria, a series of industrial white elephants and lavish and uncontrolled external borrowing. These were followed by a setback over which Zaire had no control. From the mid-1970s, the prices of copper and cobalt (which account for two-thirds of export earnings) went into a prolonged slump.

Zaire is living with the consequences of this. Unable to service an external debt of over \$4bn, the Government has been forced to reschedule its commitments no fewer than five times.

On four occasions the Government has negotiated loans from the International Monetary Fund (IMF)—one for over \$800m, the second largest in Africa—only for them to collapse when conditions were not met.

Yet, today Zaire is behaving like a model IMF client. It is approaching the end of a SDR 228m 15-month stand-by programme of a rigorous unrepentant Africa.

It has entered the official phase of the negotiations for a further loan and is preparing a three-year development plan, in which agriculture and transport take priority, to be put to donors at a World Bank-chaired consultative group meeting in Paris in mid-1985.

"Zaire seems to be on the wagon, and determined to stay there," says one Western banker, well aware of the country's past record.



President Mobutu

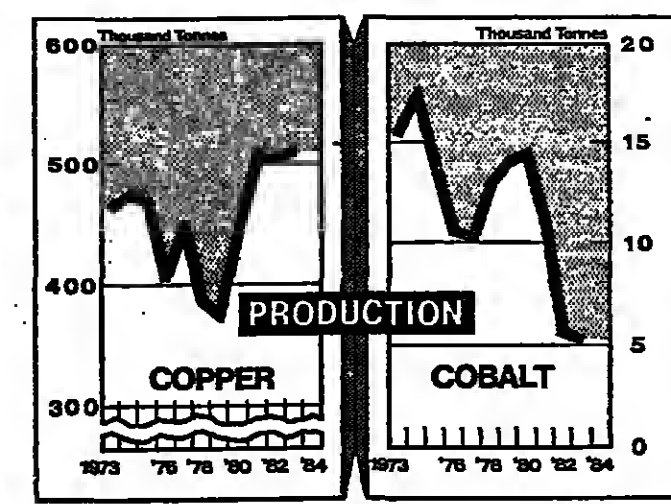
there may be light at the end of country's dark and long economic tunnel is remarkable enough. But the implications go beyond a country perceived as critical to the West's strategic interests in southern and central Africa.

What is also being put to the test, Western officials believe, is the role of the IMF in Africa and the viability of the major reforms being urged on the continent by both the Fund and the World Bank, with the enthusiastic backing of the United States in particular.

The reforms are wide-ranging. Invariably, conditions attached to IMF loans include often substantial devaluation, accompanied by cuts in Government spending, lifting of price controls, reduction of food and other subsidies, the placing of heavily indebted state-owned corporations on a commercial footing, wage curbs, and tough targets on budget deficits.

Increasingly, assistance from the World Bank is tied, implicitly at least, to fulfilment of a Fund programme.

The record over a decade in which Africa has become more and more dependent on the Fund has been mixed. The package has helped Uganda on the path to economic recovery, but has been slow to show results in Zambia and Kenya, and has been refused so far by Nigeria and Tanzania.



COPPER

COBALT

Merryn Barnes

All countries, of course, have their own particular difficulties, and no formula can be rigidly applied. But should Zaire continue to take the economic medicine prescribed by the Fund and pull through, the IMF will be able to share the credit with President Mobutu for what will have been a remarkable turnaround.

Yet there is also a considerable element of risk. The current austerity programme comes on top of a decade of decline, severely testing the resilience and tolerance of Zaire's 31m people.

Should compliance with the formula prove slow in bringing benefits, it could conceivably prove disastrous, undermining President Mobutu, for whom there is no obvious successor.

Thus, when the president made his recent tour of major Western capitals, he was listened to with particular attention when he reviewed a series of initiatives over the past two years which have impressed even the sceptics.

In December 1983 President Mobutu convened a meeting of senior ministers to win support for a series of austerity measures. This in itself was not remarkable, for efforts to resolve the country's economic crisis had frequently been made in the past. The difference this time was that the measures would have to be introduced

without external financial assistance from the Fund or anyone else.

"In effect," says one senior aid official, "Zaire was on probation. Donors were so doubtful about the Government's commitment that President Mobutu had first to prove to us that he meant business."

The President won support for major cuts in government spending and tighter budgetary controls. The move to lift price controls, begun earlier, was continued when the Government abolished the ceiling on producer prices for rubber, palm oil and sugar.

Additional steps were taken to strengthen the management of the state-owned copper and cobalt mining corporation Gécamines, and a start was made to replace the allegedly corrupt state mineral marketing corporation, Sonazim.

Since then, Zaire had done almost enough to win over the Fund. One major hurdle remained: a devaluation of the massively overvalued currency, the Zaire.

The official rate was Zaire 6 to the dollar. But on the black market it traded five times that, and most business transactions were calculated at the market rate.

It was President Mobutu himself, say government officials, who decided that the bullet had to be firmly bitten.

In September 1983 the cur-

rancy was devalued by 80 per cent and the rate to the dollar fell to Zaire 37. To ensure that the rate remained realistic, the Government allowed the Zaire to float, establishing its value at weekly sessions of the central and commercial banks.

Nearly a year after Zaire had demonstrated its commitment to reform the way was finally cleared for an SDR 228m 15-month IMF loan. In the same month the Government introduced further measures designed in part to reduce the budget deficit from 8.7 per cent of GDP in 1982, to 1.9 per cent in 1983, and to eliminate it in 1984.

The results for the business community have been dramatic, producing what one U.S. government analyst calls "a more favourable investment climate than at any time since the copper boom of the early 1970s."

Import licences are now issued by commercial banks rather than the central bank. Quantitative restrictions on imports have been lifted, and foreign exchange is freely available—although some companies are feeling a liquidity pinch because 55 per cent of the import licence value must be deposited in advance.

For the first time since the mid-1970s, profits and dividends can be remitted. Slowly, but with increasing confidence, companies are looking at investment in the agricultural sector, while the realistic currency rate has curbed smuggling of diamonds, gold and coffee.

For the long-suffering man in the street, however, the short-term consequences have been painful. Petrol prices trebled in the wake of devaluation and food prices nearly doubled. The budget deficit targets have been achieved by squeezing cuts in ministries which arguably should have been strengthened, such as education.

On the other hand, inflation which has been running at an annual rate of 100 per cent is down to between 25 to 30 per cent.

"We are not yet seeing a recovery," cautions one banker, but the decline has been halted, and for the first time in years there is a sense that the Government means business.

The task ahead is overwhelming, however. Copper prices re-

main low, and the agricultural sector's rehabilitation is hampered by severe transport difficulties. From about 140,000 km of usable roads before independence there are now perhaps 15,000. Driving from Kinshasa, for example, to the coffee region of Kivu on the eastern border is virtually impossible.

In the country's interior, government services have all but collapsed, with education and health services especially hard hit. One businessman who is rehabilitating rubber estates in central Zaire discovered that schools and clinics exist in name only: "There is a generation grown up since the 1970s who cannot read, write or speak French."

Yet Zaire's potential is enormous. Not only is it the world's sixth largest copper producer and leading supplier of cobalt and industrial diamonds. It also has coffee, oil, palm oil, rubber, timber, rich agricultural land and one of Africa's largest hydro-electric power schemes, the under-utilised Inga project, with a capacity of over 20,000 Mw.

Whether President Mobutu can turn the potential to reality remains to be seen. What is certain is that Zaire continues to need Western assistance. Export receipts in 1985 are forecast at \$1.5bn, debt obligations total \$500m, and Zaire can only afford to pay \$250m, say senior Government officials.

The next debt rescheduling talks are due in March, by which time the officials believe a new IMF programme will be in place.

Zaire has done enough, they maintain, to warrant sympathetic treatment and further support. "After two years," says one, "we have shown our commitment. And we are carrying out the measures because we believe they provide the answer to our problems, not simply because the IMF requires them."

But, he went on, the West should help provide more tangible benefits to the man in the street.

The sceptics still fear that Zaire's economic history will repeat itself. But for the first time in several years, most Western governments and donors seem prepared to give the country the benefit of the doubt.

Lombard

The obstacles to legal reform

By A. H. Hermann

THE IDEA that the English machinery of justice is the best in the world survives somehow alongside the complaints, hardly contested, that it is deficient in three major aspects: the drafting of statutes makes them unintelligible, the method of interpretation of precedent and legislation is uncertain, and the procedure of courts is too slow, too technical and too costly. Although these weaknesses have been acknowledged by eminent committees and Royal Commissions several times over, reform has never got off the ground.

In view of this experience one must ask whether reform is not perhaps blocked by the peculiar constitutional arrangements dividing responsibility for the administration of justice between the Lord Chancellor and Home Secretary, while the drafting of legislation is the monopoly of the Office of the Parliamentary Counsel attached to the Treasury. In short, there is no Ministry of Justice to co-ordinate reform on all three fronts.

A powerful attack on the shortcomings of civil court procedure has been made by Sir John Donaldson, the Master of the Rolls. On assuming his office he took immediate steps to speed up the working of the Court of Appeal. Addressing the Law Society's annual conference recently, he broadened his attack. The Government has promised a "complete and systematic" review, but the Lord Chancellor's working party expects to have the first results only in four years' time, and even these would be mainly statistical and descriptive. In Sir John's view "complete and systematic" can be translated as "thorough but endless." A review, he said, had no merit at all unless it led to radical improvement.

The Master of the Rolls would like to see opening speeches and pleadings cut to size in all civil courts. Frivolous litigants should be frightened off by fineing those who bring cases in bad faith. Courts should be made accessible to persons of moderate means by making legal aid dependent on the ratio of means to costs instead of a means test as at present. Cases should be assigned to higher courts not

according to the amount at stake but according to the difficulty of the legal issue, so that many more would go to county courts. These, in turn, could be relieved of cases hanging purely on facts, by creating a network of lay courts—civil justices of the peace.

Such an approach, though commonplace elsewhere, seems radical in England. Many solicitors criticise Sir John's proposals concerning legal aid. Barristers are likely to be dismayed by any proposal to restrict their speeches. To this one has to add that Sir John is widely tipped as the next Lord Chancellor, and his Law Society speech is seen by some as an election manifesto of a radical Lord Chancellor; some judges fear a radical Lord Chancellor.

These fears are understandable in view of the immense potential power vested in the Lord Chancellor. The Lord Chancellor presides over the upper chamber of the legislature; as a member of the Cabinet, he is a senior member of the executive; as a member of the judicial committee of the House of Lords, he is a senior judge, and he also appoints judges, from the lowest to the highest courts. Such an accumulation of powers has been made bearable only by a succession of gentle Lord Chancellors who preferred consensus to promoting their own views.

The difficulty could be solved by a constitutional reform which would divide the office of the Lord Chancellor into three. The appointment of judges, now done on the basis of private soundings, could be put into the hands of a judiciary commission, subject to public control. The Lord Chancellor would be in charge of the legal business of the state, together with the attorney-general and solicitor-general, and his office would supervise a public prosecution service, about to be created in England as it already exists in Scotland.

Most important of all, there should be one office, the ministry of justice, to co-ordinate the reform of legislative drafting, interpretation of law, and court procedure and administration, none of which can move forward out of step with the other.

Role of service industries

From Mr S. Schattmann

Sir,—It says something about the state of political debate in this country today when the director general of the British Invisible Exports Council is compelled to say (October 18): "Service trades cannot exist alone. They are part of the economy as a whole. There is no such thing as a services economy as glibly suggested by politicians of more than one party, and others. They appear to believe that we are at the dawn of a new era, a new era leading inexorably to the millennium, or otherwise, of the post-industrial society."

Services are tertiary industries. Like primary and secondary industries they remain subject to economic and financial factors which, in turn, are amenable to, or influenced by, governmental action. Or to put it differently, new service employment is mainly dependent on economic growth and a rise in household incomes.

The record shows that the past 20 years have seen strong growth in service employment throughout the industrialised world. Indeed, since the beginning of the 'seventies the services sector has been the only sector to create jobs in most member countries of the OECD—with the striking exception of Japan and the U.S.; and the latter has a higher services share of total civilian employment than the UK. So had Canada, Australia in 1983, and the Netherlands in 1983. And countries like France, Germany, Italy and Switzerland only remained somewhat below the British figure of 63.7 per cent largely because the share of their agricultural sectors is greater than in this country. Politicians please note. Stephen Schattmann, 65c Wigmore Street, W1.

A value added

data network

From the Chairman of the Council, IBM Computer Users' Association

Sir,—I learn with dismay that the Secretary of State for Trade and Industry has rejected the proposals for the British Telecom/IBM joint venture to establish a value added data network, and that the Office of Telecommunications has played a decisive role in this decision.

Although representations were sought, it is reported, from over 100 companies and organisations, it is inconceivable that neither the DTI nor OFTEL attempted to elicit the views of this association, which represents (perhaps too

Letters to the Editor

independently) over 1,000 users of IBM systems when IBM users represent about 40 per cent of BT's current dedicated leased line revenue!

Equally incomprehensible is the comment from Prof Brian Carsberg (director-general of OFTEL) who is quoted as saying "My duty is to promote the development of competition in the interests of the consumer." How many consumers or potential consumers has he consulted? I would have thought that Prof Carsberg's first duty was to promote the development of a data network which meets the needs of the majority of consumers at the earliest possible date and in the most economic manner.

The view of this association was one of substantial support for the joint venture proposals, and as such it seems unreasonable for commerce and industry generally to be denied the opportunity of having a value added network capability sooner rather than later—albeit perhaps not quite up to some "perfect image" that others would like to see given that any realistic, nationally available alternatives based on OSI are, at best, probably still 3-4 years away. Many of my members are substantial British companies who would undoubtedly have benefited considerably had the venture been allowed to proceed.

I also find it hard to understand how Mr Tebbit, the arch exponent of free enterprise, should deliberately suppress BT's first real attempt to display that conservative quality.

Can I take it that all future attempts by BT to establish what may turn out to be profitable ventures will suffer the same treatment?

I trust that when the prospects for the privatisation of BT appears next month, the Government's attitude will be stated with absolute clarity. Roger M. Dale, Sixcom Systems, Islington House, Brown Lane West, Leeds.

Damaging Luddite effect

From Dr L. Brookes

Sir,—In his highly perceptive Economic Viewpoint (October 18) Anatole Kaletsky pointed out that the aim of economic policy is to maximise economic output not labour input. It is surprising that the Chancellor

seems to have missed this point. When he was Energy Secretary he seemed to have missed this point. When he was Energy Secretary he seemed to have missed this point. When he was Energy Secretary he seemed to have missed this point.

Mr Kaletsky shows that lowering wages in order to raise labour input may be self-defeating if the reduction in national spending power produces a more than compensating fall in demand.

It also seems to have been overlooked that there may be a damaging Luddite effect. The number of incomes at any given average level is limited by the total output of the economy. Incentives to reduce labour productivity may mop up some surplus labour for a time. The long-term effect is to reduce the total output of the economy at the point where it begins to bump up against the stops of external constraints. The result is a reduction in the ability to pay average incomes at any given level and this effect may more than offset the effect of a reduction in that level.

Economic history records rising populations and employed labour forces being associated with rising labour productivity and average income. The American figures need to be studied very carefully before they can be accepted as the first counter example in a very long history. (Dr) L. G. Brookes, 16 Ipswich Road, Bournemouth, Hants.

Economic growth and productivity

From Mr E. Whitting

Sir,—I was puzzled at first by Anatole Kaletsky's statement (October 18) that employment can only rise faster than economic growth if productivity is actually falling. Some definition is needed to interpret it.

"Economic growth" is usually in GNP. "Productivity" is either output per head or manufacturing output per man hour. Output per head must be a very bad measure when overtime is increasing. Output per man hour is better but applies in official statistics, I believe, only to manufacturing output, which accounts for only some 25 per cent of GNP.

The production figures are known to be highly suspect in the conversion from value to volume. Volume productivity

measures are fine when there is a simple homogeneous commodity produced by a standard type of employee on standard equipment, such as kilos of apples gathered per hour.

But the world is increasingly not like that. It is more like a dirty mixture of apples and pears that keeps changing. We have to go back to monetary measures: revenue and costs. Value added can be substituted in the micro-economy for GNP and total employment costs for wages or labour costs.

Thanks to the Companies Act 1981 there is a lot more data available on costs and numbers of employees. From 10 recent company annual reports that I have to hand I find that the 10 on average reduced their numbers employed by 3.1 per cent and increased their employment cost per employee by 12 per cent.

This was a fair sample of small and large companies in various industries. The increase in employment cost per employee ranged from 3 per cent to 20 per cent. These increases cannot have been all due to the unions. Directors' remuneration increased by an average of 15 per cent and the numbers of employees earning more than £30,000 increased by 68 per cent.

Assuming that output or value added was flat over the years 1983-83 to 1983-84, and it was on average the same for these companies, then the productivity of these companies, in my book, has gone down. I still believe that for individual companies, unless they are of this rare homogeneous product type, the ratio of employment cost to value added is as good a measure of "labour productivity" as any, and it includes everybody employed.

In my view, the pricing-out-of-jobs and the volume productivity measure must go together. There is no point in trying to separate them. It is all expressed simply by employment cost against some monetary measure of production, turnover or value added.

Edwin Whitting, Manchester Business School, Booth Street West, Manchester.

Accessible at Lloyd's

From the Deputy Chairman, Lloyd's
Sir,—Mr D.S. Tallon states October 25 that the public does not have "access to the results of individual members or syndicates at Lloyd's". This statement is incorrect. Since August 6 of this year the accounts of all syndicates of Lloyd's have been available on public file for the payment of a small search fee. Ian Hay Davison, Lime Street, EC 3.

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SECTION II - INTERNATIONAL COMPANIES

FINANCIAL TIMES

Tuesday October 30 1984

IVECO
International
Truck Technology

A REVAMPED U.S. RAILWAY MAKES A DRAMATIC TAKEOVER MOVE

Chicago Pacific's rocky road to riches

BY TERRY DODSWORTH IN NEW YORK

FIVE YEARS ago, it was possible to pick up shares in a battered old mid-western railway company, Rock Island and Pacific Railroad, for just \$1.75. Today, the shares are worth around \$88, though they are now sold in the name of Chicago Pacific.

It is not easy to find a better performing stock on the New York markets. Nor is it easy, however, to find a more complete transformation. The old Rock Island company looked very much like a lost case in 1979, staggering on precariously in the bankruptcy courts, with its assets tied up in a spider's web of mid-western lines going nowhere very special. In the company's new shape, there is not an inch of line left. The ramshackle old tracks have been turned by the stroke of a liquidator's pen into a \$300m lump of cash.

This cash has now become the key to what ranks as just about the most surprising, and certainly the most cheery, takeover bid this year. With virtually no other assets, Chicago Pacific has launched a \$1.8bn offer for Textron, a diversified conglomerate which not so long ago was no slouch in the takeover game itself. Taken totally by surprise, all Textron has been able to do so far is to gasp out an angry rejection of the bid.

To make the assault on Textron, Chicago Pacific will have to borrow (from Citibank) the balance of the cash which it does not already have in its kitty. By the standards established in the leveraged takeover business over the last two years, the debt to equity ratio of around 4.5 to 1 implied in the bid, taking in Textron's own debt, is not particularly unusual. It is ambitious enough, however, in a proposed takeover of this size, and particularly in one which is being fiercely opposed.

Nevertheless, Wall Street is taking Chicago Pacific seriously. First, the former railway company is offering shareholders in Textron a hefty premium to the market price - \$43 a share against a 12-month high of \$37 and an all time high of \$39.

Second, the Chicago Pacific board is not one that can easily be ignored. In its recently reconstructed form, it looks like yet another example of the groups of entrepreneurs and professional managers put together to pursue the latest fad for leveraged deals. It has plenty of market knowledge, a fair amount of private financial muscle and a leaning eye for undervalued assets.

On the entrepreneurial side, about 20 per cent of Chicago Pacific is split equally between Mr David

Chicago Pacific said yesterday that its \$43 a share offer to acquire Textron "is negotiable in all respects." The statement, seen as an indication that the company might sweeten its bid, was contained in a weekend letter from Mr Harvey Kapnick, Chicago Pacific's chairman, to Textron's senior management.

Murdock, the investor who made his name at Occidental Petroleum, and the Crown family of Chicago, said to be worth around \$900m, and known for its astute dealing in a variety of special situations.

Mr Murdock, after pulling out of Occidental at considerable profit after disagreements with its octogenarian chairman, Dr Armand Hammer, recently emerged as the driving force in the winning bid for Continental Group, the financial products company which had been pursued by Sir James Goldsmith. He is very wealthy - Forbes Magazine puts his fortune at around \$500m - and is a businessman who has made his name partly by running companies, but also by having a keen eye for undervalued assets.

The Crown family is perhaps best known for its dealings in the Empire State Building, which it sold

for a profit of \$31m in 1980, but it also owns substantial property investments and has a big slice of General Dynamics, the defence group.

The chairman of Chicago Pacific, Mr Harvey Kapnick, comes from a very different background, though with a redoubtable reputation in his own field. An accountant, he is generally given the credit for turning the accounting firm Arthur Andersen into a worldwide force during his chairmanship in the 1970s.

He is noted in the auditing world for his strong views and stubbornness, both characteristics that re-emerged during a spell at First National Bank of Chicago. As deputy chairman, he tried to organise a boardroom revolt against the chairman, Mr Robert Abboud, which ended only when both men were asked to leave.

This group of individuals owe it to a bankruptcy judge for bringing them together. In 1975, when the old Rock Island railroad first slipped into the bankruptcy courts, the presiding judge asked it to struggle on. In 1980, however, he rejected a rescue proposal from the trustee and ordered the company to be liquidated, a process which has generated the \$300m of cash. In June, the company was dismissed from the court, and re-emerged in

its present form with its newly constituted board.

At that time, Chicago Pacific made it clear that it wanted to become a sort of holding company, leveraging its way into various industrial situations. It said it was aiming to take over sector leaders, and indicated that it wanted companies with strong managements that could be retained. It added that it wanted to avoid high risk situations, and might sell off divisions of acquisitions if they were not performing satisfactorily.

Textron fits this mould almost perfectly. Its most important divisions is its Bell Helicopter business, though it also has several other strong brand names, such as Homelite chainsaws, Bostitch stapling equipment and Jacobsen lawnmowers. In addition, it has several divisions which might be sold to pay off debt, and is generally felt to be moving into a growth period after two years of depressed profits.

The one area where it does not fit Chicago's targets is in size - it is about twice as big as the type of company Chicago originally thought of bidding for. It now remains to be seen whether it will be too much for the digestion of a company which has been on a strictly enforced slimming diet for the last nine years.

Lincoln Life sells holding in Dominion

By Bernard Simon in Toronto

CANADA'S Manufacturers Life, the mutual insurance group, has provisionally agreed to buy the 89 per cent interest in Lincoln National Life of Fort Wayne, Indiana, in Dominion Life Assurance, a medium-sized Canadian insurer based in Waterloo, Ontario.

The acquisition, valued at C\$140m (\$106.4m), will boost Manufacturers Life assets by 14 per cent to about C\$10.8bn based on assets at the end of 1983.

Manufacturers Life is Canada's second largest insurer after Sun Life. Its 1983 premium income totalled C\$578m, compared with C\$183m for Dominion Life.

The transaction is subject to regulatory approval and ratification by Manufacturers Life policy holders.

Under the provisional agreement, Lincoln National will receive C\$157.50 a share for its 89 per cent interest in Dominion Life. Manufacturers Life said that Dominion minority shareholders will receive a similar offer "in due course."

Lincoln National indicated last June that it had decided to sell Dominion Life to concentrate on its U.S. business. It considered bids from 40 potential buyers in the U.S., Canada and Europe.

Dominion recorded an 8 per cent drop in revenues last year after withdrawing from the U.S. group insurance market and suffering a decline in annuity sales following Canadian tax changes.

Manufacturers Life has sales offices in North America, Britain, the Middle East, South-east Asia and the Caribbean.

The U.S. accounted for 54 per cent of premium income last year, Canada 34 per cent and Britain 7 per cent.

Europrogramme head faces probe call

BY ALAN FRIEDMAN IN MILAN

A SWISS magistrate has been asked to open a criminal investigation into the financial dealings of Sig Orazio Bagnasco, the Italian financier who controls the troubled Lugano-based Europrogramme property fund.

The request comes from 105 Europrogramme shareholders who together hold L3bn to L4bn (\$1.8m-\$2.1m) of unit trust shares in the fund. The fund totals L1,000bn.

According to Sig Giuseppe Conte, the Genoa-based lawyer who is handling the request, an actual investigation was confirmed to him during a meeting in Lugano on October 9 with Dr Paolo Bernasconi, the chief prosecutor in Lugano. Sig Conte said that he presented to the Swiss in July a 40-page dossier on alleged illicit dealings by the board of Europrogramme. He claimed that the report provided details of misappropriations from the Bagnasco fund.

Sig Conte said he will be meeting the Lugano prosecutor again tomorrow to discuss the case. He said he was also in touch with Italian magistrates. "The behaviour of Europrogramme does not conform to either Italian or Swiss laws and we have documented the charges in our report," he added.

Dr Bernasconi's office in Lugano refused to comment on the matter.

saying that all enquiries for information or confirmation of the investigation were being turned down.

At Europrogramme headquarters in Lugano, however, a senior colleague of Sig Bagnasco claimed that the investigation "has not actually been opened." The Europrogramme executive said only that "a dossier was presented to the Lugano prosecutor and it is being reviewed."

Last week it emerged that the Swiss federal banking commission had extended until March next year the ban on the redemption of Europrogramme shares.

A number of Europrogramme shareholders are demanding the immediate redemption of L70bn to L80bn of shares, but Europrogramme said last week its liquidity was only L30bn.

The possible Swiss criminal investigation marks a heightening of tension in the Europrogramme affair, which has already scandalised several prominent Italians. Among those critical of Sig Bagnasco and Europrogramme has been Prof Guido Rossi, the distinguished ex-president of Italy's Consob stockmarket authority. Prof Rossi has recommended that Europrogramme be liquidated and its 75,000 shareholders paid off.

R. J. Reynolds begins share buy-back plan

BY TERRY BYLAND IN NEW YORK

R. J. REYNOLDS, the U.S. tobacco group, yesterday announced its first move to re-employ the proceeds from the \$1.7bn sale of its Aminoal energy subsidiary.

Reynolds, number two in the U.S. cigarette industry, is to buy back up to 10m shares, or 8.8 per cent of the issued equity, for \$735m. The directors said that this represented "the first

phase" in a continuing repurchase programme.

The company will pay \$73.50 a share for stock, against a market price yesterday of \$68. Stock tendered will not receive the increased quarterly dividend of 85 cents, for which the record date has been changed to November 23.

Adam promotion costs hit earnings at Coleco

BY OUR FINANCIAL STAFF

HEAVY promotion costs for the Adam home computer, and a reduction in value of consumer electronics assets, have hit third-quarter net earnings at Coleco Industries, the U.S. toy maker.

The moves reduced pre-tax earnings by about \$30m, and left Coleco with net profits of \$3.8m or 23 cents a share, up from \$2.3m or 14 cents in the 1983 quarter. Profits for the

nine months were \$13.4m or 83 cents a share, against \$27.8m or \$1.71, while sales rose from \$421m to \$534m, with \$181.3m (\$114.5m) in the latest quarter.

The company warned that "near-term uncertainties" in the consumer electronics market were such that 1984 operating losses in this sector could offset earnings from the traditional toy business.

Peugeot first-half sales surge

BY PAUL BETTS IN PARIS

PEUGEOT, the major French private car group, reported at the weekend a 7.3 per cent advance in first half group sales to FFr 46.4bn (\$5bn) compared with the first six months of last year.

This sales increase in a declining French car market reflects the commercial success of the Peugeot 205 small and Citroën BX medium-sized saloon models.

The group also said it would report lower losses this year. Peugeot

lost FFr 2.59bn last year but after major restructuring and the launch of successful new models, its financial performance appears to have started a tentative recovery.

The group is still burdened, however, by substantial financial charges and the costs of its restructuring programme.

Peugeot managed to hold a 33.2 per cent share of the market - the same as in the first half of 1983. In Europe as a whole, sales of the

group's three car marques - Peugeot, Talbot and Citroën - advanced 3.3 per cent in the first half.

The group said it had cut 8,400 jobs in the first half of the year. The largest number of cuts was at Peugeot-Talbot where 6,400 workers were laid off.

The group also reported first half earnings of FFr 3.2m at its Cycles Peugeot bicycle and moped division. This subsidiary lost FFr 23.4m in the first half of last year.

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INTERNATIONAL COMPANY NEWS

Spain limits Lesieur oil takeover plans

BY DAVID WHITE IN MADRID

LESIEUR, the French foods group, is expected to reply within the next few days to Spanish Government proposals which would scale down its planned stake in Spain's edible oils sector.

An agriculture ministry spokesman said yesterday the proposals would also entail Spanish interests taking a minority shareholding in the French concern in exchange for its major role in the Spanish market.

The proposals were drawn up by the ministry in response to a sharp reaction by Spanish edible oil companies against Lesieur's takeover projects, which would bring approximately half the sector under French control.

Lesieur's plans involved a bid to assume control of the leading oil processing company, Koipe, in which it already holds just under 50 per cent, and a Pta 4.4 bn (\$68m) takeover deal for the number two company, Carbonell.

The Carbonell deal, which has been awaiting government approval since June, sparked off an apparent division between the agriculture ministry, anxious to try to retain Spanish control over this key farming sector, and the finance ministry, which seemed prepared to endorse the takeover.

The new proposals follow unsuccessful attempts by a third Spanish company, Elosua, to mount a competitive bid for Carbonell.

Under the government plans, Lesieur would take 35 per cent of Carbonell, instead of 100 per cent, and would reduce its holding in Koipe to the same level of 35 per cent.

The remaining 65 per cent of Carbonell would be shared among a group of Spanish companies in the sector, including Koipe, with the possible participation of Carbonell's current sole shareholders, Banco Hispano Americano.

Jonathan Carr goes behind the scenes in the row between Telefunken and its French parent company Thomson surmounts a management crisis in Germany

AT FIRST sight the management storm at Telefunken, the West German-based consumer electronics company, seems wholly superfluous. But a closer look reveals a lot about the problems of an industry, once proudly German, which has increasingly slipped into foreign hands.

The storm erupted last week when the three members of the executive board resigned rather than sign a policy document put before them by the company's owner, Thomson-Brandt of France. The three, led by the dynamic chief executive Dr Josef Stoffels, argued that the conditions laid down by Thomson would excessively restrict their scope for independent decision-making.

The directors had the sympathy and support of many in the 3,100-strong labour force, who feared that a new company strategy imposed from Paris and involving job losses could be in the offing. But no sooner had the trio stepped down than Thomson announced broad support for Telefunken's existing policies, stressed that production would continue in all company plants (Hannover, Celle and Braunschweig), and said job cuts were not planned. In that case, a lot of people were asking by the weekend, why on

earth did Dr Stoffels and his colleagues throw in the towel?

At least part of the answer lies in a personality clash between Telefunken's former chief executive and some on the French side. Dr Stoffels, aged 56, is a man of very strong will with a sharp tongue before which many competitors—and not a few colleagues—have cringed. He evidently rubbed some of the Thomson people up the wrong way—perhaps including the fiery and determined boss of the French concern, M Alain Gomez.

But that personality problem alone could hardly have led to last week's crisis had not Dr Stoffels and his colleagues felt that the fruits of years of effort at Telefunken were in grave danger of being squandered. It is pointed out that the company revamped its strategy and went through a drastic slimming of the labour force by 40 per cent. As a result last year—when Thomson acquired 75 per cent of the capital from the ailing AEG concern—Telefunken was able to show a modest profit of DM 8m (\$2.6m) after years of

losses, on turnover of DM 1,066m.

This year, during which Thomson has taken over the remaining capital, business is booming. First half sales of colour television sets (which account for around 60 per cent of turnover) were up by 24 per cent and sales of video recorders by 28 per cent. Profit for the year is expected to be at least DM 40m. In other words, so Telefunken argues, Thomson has every reason to be pleased with the performance of its new acquisition—and not to interfere with a strategy which has proved its worth.

Thomson stressed last week that it well recognised the success achieved. But the French state-owned giant clearly feels it must set the Telefunken operation in a wider business context. It already owns Saba and Nordmende, two other German-based companies which are direct competitors with Telefunken in the television market, as well as Dual, the hi-fi concern in the Black Forest region. Thomson has pushed through a lot of rationalisation and production co-ordination at Nordmende and Saba and is keen to draw Telefunken more closely into the group. For example, it would seem to make



Alain Gomez, Thomson's fiery and determined boss

the past year or two, it is claimed, was built on a policy of concentration, individual design and quality. The company cut back the number of TV models it offered by more than 40 per cent, but aimed at the top end of the market through specialist dealers at stable prices. The fear is that this strategy might be turned on its head—with potentially disastrous financial results—if Telefunken is more closely integrated into the Thomson group.

Thomson can justly argue that, after all, it owns Telefunken lock, stock and barrel; that it has sought to give firm assurances about the future—but that it has a right to take all the decisions it thinks fit for its group. But it is up against grave difficulties.

For one thing, it is involved with an enterprise which, despite its dire troubles in the last decade or so, is a part of German history and proud of it. Telefunken was founded in 1903 as a company for wireless telegraphy by AEG and Siemens; its transmitters began public broadcasting in Germany in the 1920s and it has many famous innovations to its name. At least part of the resistance to being drawn into a bigger group ultimately responsible to Paris must be seen against this background.

Further, when Thomson took over last year there were a lot of suggestions that the French might act as "job killers," hardly fair in view of the fact the former Telefunken management had felt forced to make. The latest developments, resulting in the resignation of the executive board, have increased those fears and produced an atmosphere in which it will be harder for the French to push ahead with their own plans. Under the German co-determination system, labour representatives have one half of the seats on the supervisory board.

They cannot completely block decisions they dislike, but they pose big problems for owners and managers in a hurry. They can also carry disputes out of the boardroom and into the open if they feel deeply enough about them.

It is a daunting prospect for M Bernard Gilloir of the Thomson group, who is Telefunken's designated chief executive. His job is going to be at least as sensitive as that of Mr Hermann Koning, the Dutchman from Philips who took over the top post at Grundig earlier this year. In both cases non-Germans have to steer famed German electronics companies into roles which only a few years ago would have seemed inconceivable.

Club Med to acquire 5% holding in Wagons-Lits

BY DAVID MARSH IN PARIS

CLUB MEDITERRANEE, the French tourist operator, is to take a 5 per cent stake in Compagnie Internationale des Wagons-Lits, the Belgian leisure activities and rail transport company.

The acquisition is designed to allow the two groups to put into effect long standing objectives to pool resources in certain parts of the international hotel, tourist and restaurant business, although no firm plans have yet been disclosed.

Agreement coincides with a significant move by Wagons-Lits into the French hotel industry following the second last week under which it will buy the

Frantel hotel chain from the Banque Populaire.

The Club Med move is part of a shareholder restructuring involving the pull-out of the Italian Instituto per la Ricostruzione Industriale group, which previously held a 12 per cent stake.

Part of this stake will be sold to the Saudi Ralaco group. The Calais des Depots et Consignations, the French state financing agency, which holds 30 per cent of Wagons-Lits, has agreed to sell 5 per cent to Club Med, but is at the same time acquiring another small stake previously held by the Faribac group.

Nova-Park conflict settled

BY JOHN WICKS IN ZURICH

THE CONFLICT within Nova-Park, Swiss hotels group, has been solved. All pending suits are to be settled out of court and dissident shareholders have withdrawn demands for the court appointment of a special supervisory board.

This is expected to lead to the financial reorganisation of the company, which is confronted with net borrowings of more than Swf 100m (\$40m). The merchant bank called in to help with this plan is now known to be Kleinwort Benson.

Disagreement had arisen within Nova-Park following an extraordinary general meeting

on August 20 when the company founder, Mr Rene Hatt, was elected to replace Dr Arthur Bezola as managing director. Mr Hatt had been ousted in favour of Dr Bezola in March. A group of shareholders disputed the outcome of the August meeting and was successful in keeping Mr Hatt's reappointment from being made official.

The Bezola party has now ceased to oppose the decisions of the August AGM. Dr Bezola is to carry out a "control function" in a management company which forms part of the group.

N. AMERICAN QUARTERLY RESULTS

AMP Industrial eqpt.			
Third quarter	1984	1983	
Revenue	453.6m	388.1m	
Net profit	49.5m	42.4m	
Net per share	0.46	0.40	
AMERON MCKINLEY Glass tableware, containers			
Third quarter	1984	1983	
Revenue	173.3m	161.7m	
Op. net profit	811.0m	7.5m	
Net profit	6.07	6.75	
Net per share	0.51	0.58	
CITY INVESTING Insurance, holding eqpt., housing			
Third quarter	1984	1983	
Revenue	1.97m	1.00m	
Net profit	47.0m	54.0m	
Net per share	0.99	1.19	
COMPUTERVISION CAD/CAM systems			
Third quarter	1984	1983	
Revenue	137.1m	104.0m	
Net profit	4.7m	3.1m	
Net per share	0.18	0.22	

CONTAR Chemicals, paper prod.			
Third quarter	1984	1983	
Revenue	553.1m	480.7m	
Op. net profit	23.3m	16.7m	
Net profit	1.29	0.91	
Net per share	0.51	0.37	
EMERY AIR FREIGHT Freight carrier			
Third quarter	1984	1983	
Revenue	204.2m	172.2m	
Net profit	3.5m	7.2m	
Net per share	0.51	0.65	
ENGLANDER Precious metals			
Third quarter	1984	1983	
Revenue	619.3m	397.1m	
Net profit	25.3m	17.5m	
Net per share	0.96	0.71	
FARMER'S SYSTEM Computer aided engineering			
Fourth quarter	1983-84	1982-83	
Revenue	21.3m	7.2m	
Net profit	2.3m	1.7m	
Net per share	0.22	0.11	
FARMER'S SYSTEM Computer aided engineering			
Fourth quarter	1983-84	1982-83	
Revenue	68.1m	17.5m	
Net profit	11.0m	2.8m	
Net per share	0.73	0.18	

MESA PETROLEUM Oil and gas			
Third quarter	1984	1983	
Revenue	138.2m	95.0m	
Net profit	13.2m	47.1m	
Net per share	0.18	0.68	
NEW YORK TIMES Diversified media business			
Third quarter	1984	1983	
Revenue	288.1m	258.7m	
Net profit	20.6m	20.6m	
Net per share	0.51	0.57	
NORFOLK SOUTHERN Railway holding company			
Third quarter	1984	1983	
Revenue	904.8m	791.1m	
Net profit	134.7m	102.8m	
Net per share	2.14	1.83	
OCEAN DRILLING & EXPLORATION Oil and gas			
Third quarter	1984	1983	
Revenue	183.7m	206.5m	
Net profit	20.05m	23.3m	
Net per share	0.58	0.57	
PABST BREWING Brewing			
Third quarter	1984	1983	
Revenue	195.3m	227.7m	
Net profit	387.0m	2.5m	
Net per share	0.16	0.41	
PANHANDLE EASTERN Gas pipeline operator			
Third quarter	1984	1983	
Revenue	689.8m	681.0m	
Net profit	21.2m	22.1m	
Net per share	0.49	0.58	
PERMCO Natural resources company			
Third quarter	1984	1983	
Revenue	550.2m	587.2m	
Net profit	55.3m	1.08	
Net per share	1.08	0.01	
PHILADELPHIA ELECTRIC Utility			
Third quarter	1984	1983	
Revenue	785.0m	688.0m	
Net profit	182.3m	122m	
Net per share	0.73	0.78	
PHILLIPS PETROLEUM Integrated oil and gas group			
Third quarter	1984	1983	
Revenue	3.74m	3.88m	
Net profit	277m	77m	
Net per share	1.40	1.15	
POLAROID Instant photography			
Third quarter	1984	1983	
Revenue	307.8m	307.8m	
Net profit	1.7m	16.9m	
Net per share	0.05	0.88	
PITTSBURGH Coal producer			
Third quarter	1984	1983	
Revenue	331.1m	319.8m	
Net profit	3.22m	10.52m	
Net per share	0.8	10.01	

PRINCE-ALL Publishing			
Third quarter	1984	1983	
Revenue	144.4m	131.2m	
Net profit	13.1m	15.1m	
Net per share	1.32	1.38	
PRIME COMPUTER Computer maker			
Third quarter	1984	1983	
Revenue	348.5m	314.8m	
Net profit	20.9m	34.3m	
Net per share	2.06	3.46	
PROCTER AND GAMBLE Soap, detergent, foods			
Third quarter	1984	1983	
Revenue	780m	737m	
Net profit	21.1m	7.57m	
Net per share	0.46	0.16	
PROCTER AND GAMBLE Soap, detergent, foods			
Third quarter	1984	1983	
Revenue	780m	737m	
Net profit	21.1m	7.57m	
Net per share	0.46	0.16	
REVLON Cosmetics			
Third quarter	1984	1983	
Revenue	617.1m	600.8m	
Net profit	23.4m	20.5m	
Net per share	0.91	0.88	
RYSON SYSTEM Vehicle tower			
Third quarter	1984	1983	
Revenue	688.7m	632.4m	
Net profit	33.3m	28.2m	
Net per share	1.40	1.29	
SCIENTIFIC-ATLANTA Sales and comm. eqpt.			
Third quarter	1984	1983	
Revenue	108.5m	98.9m	
Net profit	3.5m	2.5m	
Net per share	0.14	0.10	
SHELL CANADA Oil refining			
Third quarter	1984	1983	
Revenue	1.41m	1.32m	
Net profit	0.36	0.35	
SHAW-WALKER Printing			
Third quarter	1984	1983	
Revenue	182.8m	168.3m	
Net profit	3.6m	30.8m	
Net per share	0.12	0.98	
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SHAW-WALKER Printing			
Third quarter			

German

By Mary Frings in Bahrain

BY DAVID DODWELL IN HONG KONG

By Yoko Shibata in Tokyo

BY WONG SU ONG IN KUALA LUMPUR

**IHF-FIAT FINANCE
CORPORATION B.V.**
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For the six months
31.10.84 to 30.4.85
the Notes will carry an
interest rate of 11%
per annum.
Coupon Value U.S.\$55.31
Listed on The Stock Exchange
Luxembourg
Agent Bank:
National Westminster Bank PLC

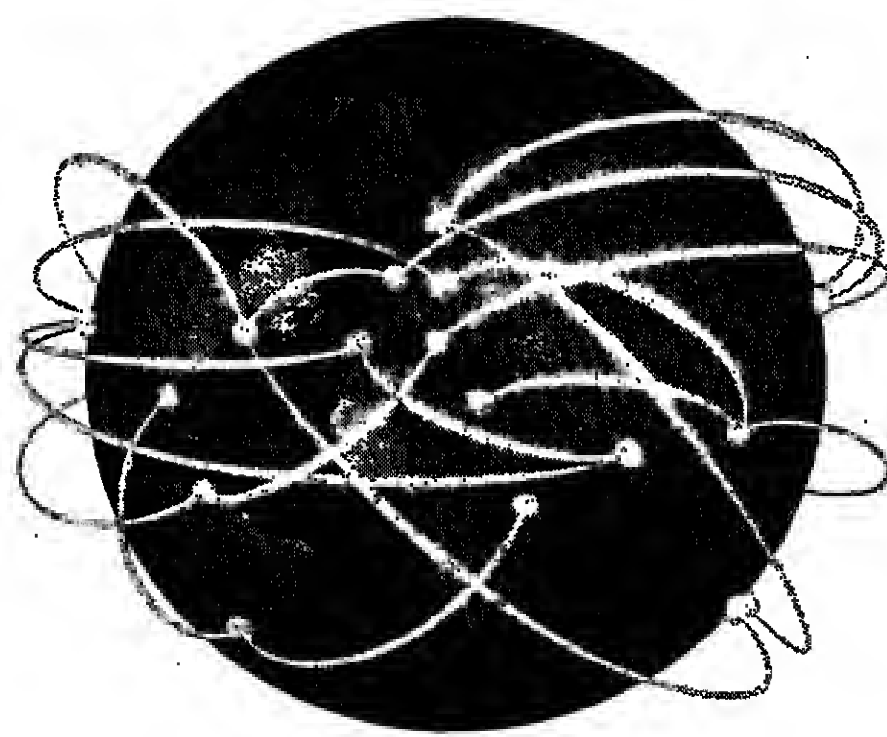
U.S. \$20,000,000

Kay Corporation

On 30th January, 1985, interest of U.S.\$284.31 per Note will be due against coupon No.22.

J. Henry Schroder Wagg & Co. Limited
Reference Agent

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BIDS AND DEALS

Gulf Trust disposes of 20% stake in Yelverton

BY ALEXANDER NICOLL

Gulf Trust and Credit, a Panama-based group backed by Middle Eastern investors, has sold its entire holding in Yelverton Investments less than three weeks after assuming management control of the company.

Yelverton said yesterday that Gulf Trust's 20 per cent holding was sold to M Jean Pierre Jequier of Geneva, an associate, and that Gulf Trust, its shareholders and subsidiaries no longer held any shares in Yelverton.

Share stakes in Yelverton have been changing hands rapidly for several months. Mr Jim Slater, the financier, was a small share-

holder but is believed no longer to have any interest. Yelverton's best known investment is a minority holding in Southend Stadium.

After Gulf Trust had acquired its holding, Mr Simon Watson, chief executive of its London subsidiary, was appointed managing director of Yelverton in place of Count Jan Baden, who remained a director. Mr Peter Greaves resigned as a director and company secretary, and the headquarters of Yelverton were moved to Gulf Trust's London office.

Mr Manjit Sahni, who had previously been an employee of Gulf

Trust, was appointed Yelverton's company secretary.

Mr Watson yesterday flew to Switzerland to meet M Jequier, a director of a Geneva-based bank, Ferrier Lullin. Yelverton's board, now comprising Mr Watson, Count Baden and Mr Geoffrey Hall, a stockbroker who is chairman, is due to meet in the next few days to discuss the latest developments.

Mr Watson said he had been surprised by Gulf Trust's decision to sell the Yelverton holding, but that his plans to build up the company remained unchanged.

Yelverton's shares rose 5p to 31p yesterday.

New terms resolve Romai Tea dispute

A DISPUTE between stock-brokers Russell Wood and Romai Tea Holdings over a £1.7m bid by George Williamson, a private company controlled by Romai chairman Mr Richard Major, has been resolved.

Following negotiations between George Williamson and Russell Wood, who represent a number of shareholders with about 57,000 Romai shares, it has now been agreed that the terms of the deal will be revised so that for each ordinary share in Romai shareholders will receive £1.25 in cash.

Russell Wood has indicated that the revised terms are acceptable and they are advising their clients to vote in favour of the revised scheme.

The original deal shareholders had been offered £7.50 per share by Williamson, who is seeking to acquire the 48 per cent of the company which it does not own. But outside shareholders considered that the offer was too low.

The proposed deal, which required 75 per cent of the vote of shareholders, looked like failing at one stage, but is now likely to go through.

Martin-Black may hand over proceeds

Martin-Black, which disposed of its wire rope business this year, is still looking for alternative investments for the proceeds. Its only remaining active business is Ryedale, a construction engineering.

Under the agreement, the chairman, said in a letter to shareholders that if the board was unable to come up with suitable investment proposals within the next six weeks, it would prepare to return the cash to shareholders.

Meanwhile, the company will continue to pay no dividends as these would attract irretrievable attention.

Net assets per share at September 28 1984 were estimated at 48.1p, and shareholders' funds at £3.1m or 47.2p per share.

Martin-Black's shares were suspended in May at 22p.

MINING NEWS

Noranda in loss at nine months

A LOSS OF C\$49.1m (£30.5m) in the third quarter at Noranda has wiped out the Canadian natural resource major's earnings for the first half of the year.

It is now left with a net loss of C\$90,000, or 22 cents per share, for the first nine months of 1984 compared with a loss of C\$5.4m a year ago.

John Sogahela reports from Toronto that the mining, fabricating and forest products group suffered a continued slide in prices for most of its products. Furthermore, the hoped-for revival following the traditional summer lull has yet to appear.

It is noted that in U.S. dollar terms, prices for a number of products are between 20 per cent and 45 per cent below the levels reached in the first quarter.

The directors say that these declines appear closely associated with the strength of the U.S. dollar which has risen some 25 per cent against European currencies this year.

Noranda says that in most cases, prices in North American currencies are now at or below the 1982 average and some are

approaching the lows reached in that year.

The "most drastic impact" of the situation was on metals and minerals, results where significantly lower prices, reduced production and stock write-downs resulted in the first operating loss since the third quarter of 1982.

Manufacturing earnings were hit by the continued slide in aluminium prices to a level below the cost of production. On the other hand there was some improvement in results for forest products, despite depressed prices for solid wood products, following the residual effects of the British Columbia labour dispute in the second quarter.

For the current quarter, operating results should be "significantly better" assuming there will be no further inventory write-downs. Better production levels and some improvements in certain prices are also predicted but Noranda adds "even so, it is now clear that results for the year as a whole will be a major disappointment."

Falconbridge turnaround continues despite setback

THE RECOVERY continues at Canada's nickel-producing Falconbridge although earnings have fallen in the third quarter.

At C\$3.4m (£2.1m) they follow C\$3.8m in the second quarter but bring the total for the first nine months of the year to C\$10.6m compared with a loss of C\$4.9m in the same period of 1983.

In the latest quarter there was an extraordinary gain of C\$25.3m from the sale to Mobil of the remainder of the company's shares in Superior Oil.

Together with tax credits lifts the third quarter net earnings to C\$31.7m, or C\$4.40 per share.

Taking in other extraordinary items for the first two quarters,

net earnings for the first nine months of 1984 come out at C\$71.1m, or C\$9.89 per share, compared with a net loss of C\$27.1m in the same period of last year.

The C\$119m proceeds of the sale of Superior shares during the third quarter were used to reduce the company's variable bank debt by US\$85.4m, making a reduction of US\$182.4m over the nine months.

Mr William James, chairman of Falconbridge, said that the principal reasons for this year's improvement in results before extraordinary items were reduced costs, better prices for nickel and increased sales of base and precious metals.

Canadian earnings ahead for RTZ with \$52m so far

THE Rio Tinto-Zinc group's 52.8 per cent beneficially-owned Canadian arm, Rio Algom, is still keeping ahead this year.

Third quarter earnings of C\$15.0m (£9.38m), albeit below those of the second quarter, bring the nine months' total to C\$32.7m, or C\$1.17 per share, against C\$35.19m a year ago.

The increase in this year's earnings include those of the U.S. company, Vincent Metals, apart from the 68.1 per

cent-owned Loenex which has made a net loss as a result of lower prices for copper and silver.

Otherwise, uranium income has moved ahead thanks to the start-up of the Stanleigh mine and a more favourable sales mix. Increased sales revenue and improved profit margins have produced a turnaround to profits at Atlas Steele while this year's earnings include those of the U.S. company, Vincent Metals, which was acquired in April.

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PRINTED CAMBRICS	PURE SILK FABRICS
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BASE LENDING RATES

A.B.N. Bank	10 1/2%	Hill Samuel	10 1/2%
Allied Irish Bank	10 1/2%	G. Hoare & Co.	10 1/2%
Amro Bank	10 1/2%	Hongkong & Shanghai	10 1/2%
Henry Ansbacher	10 1/2%	Kingsnorth Trust Ltd.	10 1/2%
Armo Trust Ltd.	11%	Knowles & Co. Ltd.	11%
Associates Cap. Corp.	10 1/2%	Lloyds Bank	10 1/2%
Banco de Bilbao	10 1/2%	Mallinbank Limited	10 1/2%
Bank Hapsosim	10 1/2%	Edward Manon & Co.	11 1/2%
BCCI	10 1/2%	Mechred and Sons Ltd.	10 1/2%
Bank of Ireland	10 1/2%	Midland Bank	10 1/2%
Bank of Cyprus	10 1/2%	Morgan Grenfell	10 1/2%
Bank of India	10 1/2%	National Bk of Kuwait	10 1/2%
Bank of Scotland	10 1/2%	National Girobank	10 1/2%
Banque Belge Ltd.	10 1/2%	Norwich City	10 1/2%
Barclays Bank	10 1/2%	Norwich Gen. Trst.	10 1/2%
Beneficial Trust Ltd.	11 1/2%	People's Trst & Sv. Ltd.	12 1/2%
Brit. Bank of Mid. East	10 1/2%	R. Raphael & Sons	10 1/2%
Brown Shipley	10 1/2%	F. S. Reeson & Co.	10 1/2%
CL Bank Nederland	10 1/2%	Roxburghe Guarantee	11 1/2%
Canada Permut Trust	10 1/2%	Royal Bk. of Scotland	10 1/2%
Cayzer Ltd.	10 1/2%	Royal Trust Co. Canada	10 1/2%
Cedar Holdings	11%	J. Henry Schroder Wagg	10 1/2%
Charterhouse Japan	10 1/2%	Standard Chartered	10 1/2%
Chenabank	11 1/2%	Trade Der. Bank	10 1/2%
Citibank NA	10 1/2%	TCB	10 1/2%
Citibank Savings	11 1/2%	Trustee Savings Bank	10 1/2%
Cyprusbank	10 1/2%	United Bank of Kuwait	10 1/2%
C. Z. Coates & Co. Ltd.	11 1/2%	United Mizrab Bank	10 1/2%
Comm. Bk. N. East	10 1/2%	Volksbank Limited	10 1/2%
Consolidated Credits	10 1/2%	Westpac Banking Corp.	10 1/2%
Co-operative Bank	10 1/2%	Whiteaway Ltd.	11 1/2%
The Cyprus Popular Bk	10 1/2%	Williams & Glyn's	10 1/2%
Dunbar & Co. Ltd.	10 1/2%	Winttrust Secs. Ltd.	10 1/2%
Duncan Lewis	10 1/2%	Yorkshire Bank	10 1/2%
E. T. Trust	11%	Members of the Accepting House	
Exeter Trust Ltd.	11%	Committee	
First Nat. Fin. Corp.	13%	7-day deposits 7.25%, 1 month 8.00%, fixed rate 12 months 12.500%	
First Nat. Secs. Ltd.	12%	3.75% 10.000%, 12 months 10.500%, 7 day deposits on sum of under 10,000 7.75%, 10,000 up to 25,000 8.75%, 25,000 and over 9.75%	
Robert Fleming & Co.	10 1/2%	Call deposits 11.000 and over 7.75%	
Robt Fraser	11%	21-day deposits over 1,000 6.75%	
Grindlays Bank	10 1/2%	Demand deposits 7.75%	
Guinness Mahon	10 1/2%	Mortgage base rate	
Hambros Bank	10 1/2%		
Heritable & Gen. Trst	10 1/2%		

12p lopped off Batleys shares

Shares in Batleys of Yorkshire, the cash and carry wholesaler, fell 12p to 78p yesterday after chairman Mr Lawrence quashed takeover speculation surrounding the group.

He said that in view of the erratic movement of the share price he wished to make it clear that it is his firm intention that not only will control of the company not pass in his lifetime but that provisions are being made to ensure that his family will continue to retain control after his death.

Mr Batley and his family control 65 per cent of the share capital of Batleys.

Rockware in \$20m Malaysian venture

Rockware International, the glass container manufacturer, has signed a joint venture agreement with the Sarawak State Economic Development Corporation, SEDC, to establish a 46.2m ringgit (\$19.5m) plant to manufacture glass containers and tableware in Malaysia.

The joint venture company, Sarawak Perusahaan Glass Pty, is held between the SEDC, 51 per cent, Rockware International with 25 per cent and other private Malaysian companies.

The plant should begin operating in early 1987 with a production capacity initially of 10,000 tons of glass containers and 4,000 tons of tableware.

Unilever has now acquired or received acceptances for a total of 270,490,862 Brooke Bond shares (98.2 per cent). The increase offers will remain open for acceptance until further notice.

McCorquodale expansion

McCorquodale announces that it has completed the acquisition from Reed International of the assets and trades previously carried on in Andover, Hampshire, by The Chapel River Press, Wardland, Andover Reproduction and Portway Graphics.

The total cash consideration for the acquisition of freehold property, manufacturing plant and machinery and operating working capital amounted to just under £1.4m.

In addition, McCorquodale will incur redundancy costs of some £0.6m, having negotiated accept-

able terms with all the unions involved prior to completion of the acquisition.

McCorquodale has also agreed to purchase certain additional plant and machinery from Reed for an additional cash consideration of £0.7m for use elsewhere within the McCorquodale Group.

This acquisition represents a further strategic step, following the purchase of McCorquodale Varicord in May 1984, in building a strong and effective publishing and magazine printing business to complement book and existing publication printing activities.

Barker and Dobson grows

Barker and Dobson Group has completed the acquisition of Viceroy Confectionery Sales for £500,000.

Viceroy, a private company based in West Bromwich is engaged in the importing, wholesaling and distribution of confectionery products.

The consideration comprises 2.85m new ordinary shares of 1p each in Barker to a value of £285,000, cash of £200,000 and £100,000 nominal of loan notes.

The loan notes are secured by a charge over the shares of Viceroy.

At May 31 1984 the date to which the most recent audited accounts of Viceroy have been made up, the net tangible assets attributable to the shareholders were £447,000. In the year to that date, Viceroy reported profits before tax of £100,000.

The Barker board is confident that the acquisition of Viceroy will strengthen its confectionery division and continue the progress already made in widening its range of products and reducing dependence on the more traditional areas of sugar confectionery.

BIDS AND DEALS IN BRIEF

Vendex International, the major Netherlands retailer, has increased its stake in Empire Stores (Bradford), the mail order company, to 14.25 per cent.

Vendex increased its stake to its present levels by acquiring 300,000 shares.

Vendex originally acquired a core holding of 13.5 per cent in Empire when Great Universal Stores was forced by the Department of Trade and Industry to reduce its share stake in Empire

following an adverse ruling by the Monopolies and Mergers Commission. GUS sold a 13.5 per cent stake in Vendex.

Channel Hotels and Properties has increased its stake in Leisuretime International, the hotel and holiday group, to 14.99 per cent. It now holds 1.34m shares. Earlier this month Channel Hotels revealed that it held a 10.28 per cent stake in Leisuretime.

Island Stream has sold 132,500 ordinary shares in Calfyns, reducing its holding from 207,500 to 75,000. This is below 5 per cent of total ordinary capital.

Lewindale Enterprises has purchased 155,000 Calfyns ordinary shares. Mrs A. Mountford, company secretary of Lewindale Enterprises, has purchased 50,000 ordinary shares. These two holdings amount to 6.3 per cent of ordinary share capital.

Mr Ron Brierley's IEP Securities has increased its holding in Tezer Kennedy and Millhouse, the international trading group, to 24.8 per cent from the 15.84 per cent level announced in June.

103 companies wound up

COMPULSORY winding up orders against 103 companies have been made by Mr Justice Harman in the High Court. They were:

Cheam Construction Company, Sedgemoor Properties, Oxyg Associates, R. L. Knight, NEC Holdings, Command Products, Falgar Insulation Company, Collyer Properties, Tallville, Ture Wembley Motor Company, Active Video, Dreamglen, D. Walter & Co., Marvill, Metalimport and Continental Finance, Generosa (Food, Wines & Spirits), BM Realisations, TTS Engineering Company, Batters Floeing Plant & Marine Services, Orset Garage, Metrobadge, Stateglobe, South Park Finance, Anglo-Dutch Securities Building Projects GHC, Harlow Steel Com-

pany, Mansel Cab & Auto Supply, Twiford, Antospeed Circuits, GDS Freight Services, A. C. Jones & Son (Cubington), PAR Freight Services, Real Estate (Management), Regency, The Lynn Group of Companies, Baworen, Cutail, Haverford Securities, Capital Couriers, Homesound (South West), SW, Public Relations, M. Ward, Dykeward, Adville Engineering, Original Records, Baron's Court Potteries, J. J. Hobbs & Sons, Adenstar Imports & Exports, Minuet Toilettries, DJ Plastic Products, Guideway Publishing, Eleuthera, SC (Nottingham), Earliest Finance Company, Paceblue, Halstop, Window Master, Bracey Pate Engineering Company, Contract Design Centre (Winchester), Fairgate, Redridge, Watson & Medley (Wools), Glacier Double Glazing Company (Dartford), John Wragg & Son (Filton Maintenance) GA Security Systems, A. C. De M. Corps & Co., D. Peters (Liverpool), Statestyle, Doremum Press, Lee Sheppard Design, K & B Pet Supplies, Caraved, Bena Factum Press, Coral Fashions, Seuba TV, Llanfairpwllgwybgi Tourist Centre, Cherrybrent, Coschrest, Meadowcroft Manufacturing Company, Clark's Holiday Camp, Regent Furnishings, Earthbrook, Purima Motors, Telephone Broadcasting Systems, TD Enterprises, Cracknell & Keating, Ace Vaseg.

Class Films, Allwhere Productions, FNR Controls, Kitchen Elite, The Outside Inn, Welsh Construction (London), Troy (UK), Countrywide Material Handling, Conside Shearing, Ernest Hawes, Muskat, Counties Construction, Creadland.

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THE CLYDESDALE (TRANVAAL) COLLIERIES LIMITED

(Incorporated in the Republic of South Africa)

ISSUED CAPITAL: 10,097,721 shares of 50c each

	Quarter ended 30 September 1984	Quarter ended 30 June 1984
Operating Results (R000)		
Total mined	2,436	2,309
Tons sold	2,431	2,301
Financial Results (R000)		
Sales revenue	26,855	26,122
Cost of sales	22,857	20,401
Gross profit	5,998	5,721
Sundry revenue-net	964	1,108
Profit before tax	6,962	6,829
Tax	3,442	3,319
PROFIT AFTER TAX	3,520	3,510
Capital expenditure	1	123
Dividend	-	6,516

NOTE: Capital expenditure. The unexpended balance of authorised capital expenditure at 30 September 1984 was nil.

A. M. D. GNODDE
M. R. FULLER-GOOD } Directors

Registered and Head Office:
Gold Fields Building
75 Fox Street
Johannesburg 2001
29 October 1984

ELSWICK-HOPPER PLC

(Registered in England, No 129650)

Authorised	Issued and now being issued fully paid
£	£
3,728,170	1,895,318
1,023,830	1,023,830
4,750,000	2,919,148

The Council of the Stock Exchange has admitted the 8 per cent. Convertible Cumulative Redeemable Preference Shares 1982/84 of £1 each ("Convertible Preference Shares") now being issued at par by way of rights and by way of subscription to the Official List and dealings will commence on 30th October 1984.

Particulars of the Convertible Preference Shares are available in the Extel Statistical Services and copies of such particulars are available from:

Brown, Shipley & Co. Limited,
Founders Court,
Ladbroke,
London EC2R 7HE

Hoare Govett Limited,
Heron House,
319/325 High Holborn,
London WC1R 7PB

This advertisement complies with the requirements of the Council of The Stock Exchange.

U.S. \$400,000,000

Citicorp Person-to-Person, Inc.

(Incorporated with limited liability in the State of Delaware)

Guaranteed Floating Rate Subordinated Capital Notes Due October 30, 1996

Unconditionally Guaranteed by

CITICORP

The following have agreed to subscribe or procure subscribers for the Notes:

Merrill Lynch Capital Markets

BankAmerica Capital Markets Group	Banque Indosuez
Banque Paribas	Barclays Bank Group
Commerzbank	County Bank Limited
Creditanstalt-Bankverein	Crédit Lyonnais
Credit Suisse First Boston Limited	Dai-ichi Kangyo International Limited
Daiwa Europe Limited	Enskilda Securities
Fuji International Finance Limited	Goldman Sachs International Corp.
E.F. Hutton & Company (London) Ltd.	Lehman Brothers International
LTCB International Limited	Mitsubishi Finance International Limited
Mitsubishi Trust and Banking Corporation (Europe) SA	Mitsui Finance International Limited
Samuel Montagu & Co. Limited	Morgan Grenfell & Co. Limited
Morgan Stanley International	Nippon Credit International (HK) Ltd.
Nomura International Limited	Orion Royal Bank Limited
PK Christiania Bank (UK) Limited	Salomon Brothers International Limited
Sanwa International Limited	Société Générale
Sumitomo Finance International	Sumitomo Trust International Limited
Swiss Bank Corporation International Limited	S.G. Warburg & Co. Ltd.
Westdeutsche Landesbank	

The above Notes were formerly to have been issued by Citicorp Overseas Finance Corporation N.V., but for United States tax reasons were not issued; instead these are now to be issued by the Company.

The Notes, to be issued at 100 per cent., have been admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary Global Note. Interest will be payable quarterly in arrears on interest payment dates falling in January, April, July and October, beginning January 30, 1985.

Full particulars of the Notes and the Company are available in the Extel Statistical Service, in substitution for an Extel Card dated October 12, 1984, and may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including November 13, 1984 from the broker to the issue:

Vickers de Costa (UK) Ltd.
Regis House
King William Street
London EC4R 9AR

October 30, 1984



P.T. ASTRA INTERNATIONAL, INCORPORATED
(Incorporated in the Republic of Indonesia with limited liability)

US\$25,000,000

GUARANTEED FLOATING RATE NOTES 1986 (the "Notes")
Unconditionally guaranteed as to payment of principal and interest by

WARDLEY LIMITED

Notice to Noteholders

Notice is hereby given that the Notes are to be redeemed in whole on 30 November 1984 pursuant to Condition 5(b) of the Terms and Conditions of the Notes at a redemption price equal to their principal amount together with accrued interest to the date of redemption.

Redemption will be made at the offices of the Fiscal and Paying Agents set out below. Payment of the principal amount will be made upon presentation and surrender of the Notes and payment of interest will be made upon presentation and surrender of the Coupons appertaining thereto maturing on or before 30 November 1984.

On and after 30 November 1984, unless upon due presentation payment is improperly withheld or refused, interest on the Notes will cease to accrue.

The Hongkong and Shanghai Banking Corporation
Fiscal Agent

for and on behalf of

P.T. Astra International, Incorporated

Dated 30 October 1984

FISCAL AGENT
THE HONGKONG AND SHANGHAI BANKING CORPORATION
Ocean Building, Collyer Quay, Singapore 0104.

PAYING AGENTS

In New York
THE HONGKONG AND SHANGHAI BANKING CORPORATION
5 World Trade Centre
New York 10048

In London
THE HONGKONG AND SHANGHAI BANKING CORPORATION
P.O. Box 199
80 Broad Street
London EC2P 2LA

TRANS-NATAL COAL CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 1984
(Unaudited group results)

	Quarter ended 30.9.84	Quarter ended 30.6.84	Comparative quarter previous year 30.9.83	Twelve months ended 30.9.84 (Audited)
Tons sold ('000)	6,972	7,168	6,112	25,493
GROUP INCOME	R(000)	R(000)	R(000)	R(000)
NET INCOME before taxation	25,448	12,838	25,037	84,061
Deduct: Provision for ordinary and deferred taxation	13,029	4,031	12,670	40,975
Outside shareholders' interest	1,912	880	1,635	5,615
NET GROUP INCOME ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	10,507	7,927	10,731	37,471
CAPITAL EXPENDITURE (including mineral right acquisitions)	31,404	13,988	15,365	82,013

Notes:

- Despite a decrease in tons sold during the quarter, there was an increase in net income before tax. This was mainly attributable to cessation of the production of an exceptional export product from Optimum Colliery.
- As from 1 July 1984 a policy has been adopted whereby existing uncovered foreign loans are deemed to be forward covered by future export earnings at the exchange rate ruling on 30 June 1984. Accordingly future export earnings will be accounted for at this rate of exchange to the extent of the liabilities so covered.
- During the quarter an amount of R78 million was raised by way of a rights offer of 9,187,470—12.7% unsecured subordinated convertible debentures at an issue price of R8.50 each on the basis of 15 debentures for every 100 ordinary shares held.
- As previously announced the Group has commenced developing an anthracite mine in KwaZulu at an estimated cost of R86 million.

On behalf of the board

S. P. ELLIS

T. L. DE BEER

Directors

Johannesburg, 30 October, 1984



UK COMPANY NEWS

Allied London at record £2.8m

ALONG WITH the announcement of a record year's trading the directors of Allied London Properties say they are confident that the achievements attained should continue during 1984/85. Pre-tax profits for the year ended June 30 increased by 5403,327, or 18.5 per cent, to £2.84m and a final dividend of 1.48p effectively raises the net total from 1.33p to 1.7p per 10p share.

At year-end the group's property portfolio was professionally valued at £71.1m (£62.2m). Net value per share showed an increase over the year of 14p at 162p. The portfolio comprises 52.5 per cent offices, 41 per cent warehouse/industrial and 6.5 per cent retail. New lettings during the year and rent reviews improved rental income by 18.5 per cent. The directors say that with the group's properties situated in the South-East, many strategically placed near the M25, they are confident that similar achievements should continue during the current year.

Central House, Hounslow, a development of 55,000 sq ft air-conditioned offices, has been completed. Lettings of 25 per cent of the space have been completed, and negotiations in regard to the remainder are now in hand.

Buckingham House, Gerrards Cross, a development of offices, shops and flats, was completed and let during the year. Another site nearby for offices has been acquired, and the building is nearly let.

The group's development of a neighbourhood shopping centre at Maidenhead has been completed. The supermarket is leased to Budgens and the remaining shops are all let. Allied London is continuing with developments at Darford Trade Park. The phase recently constructed has been let together with a substantial extension for Delta Metals. Another phase of some 30,000 sq ft is now being built and lettings for part of this have been negotiated.

The first phase of the Cheltenham Trade Park has commenced and will be available for letting shortly. Since the end of the war the group has completed the refurbishment of a luxury office property at 3 Manchester Square, London, the letting of which has been completed on "satisfactory" terms.

Sterling Homes, the house-building subsidiary, had a buoyant year concentrating on traditionally built quality houses in the south east. Tax for 1983/84 took £446,000 (£385,000) to leave available profits at £2.38m, compared with £2.07m. Dividends will absorb £248,000 (£231,000).

Earnings per share were given as 7.14p (6.15p adjusted). Fully diluted they amounted to 6.41p (5.1p adjusted).

● **comment**
Though Allied London is still a hard share to assess—the management is certainly, no prizes for liquidity—the trend towards greater disclosure is to

be welcomed. No guidance is given on the respective importance in these figures of rent reviews and new lettings, but it looks as if the bulk of project completions came towards the year end, leaving rental on existing properties the main contributor to growth. This year, though, a number of sizeable projects are coming on stream, and there is besides the attraction of the group's unique exposure to the presumed benefits of the M25 motorway completion round London. Profits this year should reach some £3m. This is largely reflected in the share price, which at 88p (up 2p) is at a discount to fully diluted net asset value (at around 127p) of some 22 per cent—in line with the sector average. The shares have enjoyed a good run lately, and probably have little speculative appeal in the short term. But as a well-managed regional specialist, the company looks solid value in the long run.

J. Howard placing to boost its City image

John Howard and Company, an old established name in the British civil engineering and construction industry, is taking its first step towards a higher City profile with the placing of just under half of its share capital with sixteen institutions. A total of 5.15m ordinary 25p shares, John Howard, representing 49.4 per cent of the equity, has been placed at 71p a share through Granville & Co, a founding member of the over-the-counter share market in this country. Granville will be making a market in the shares at the end of November. The shares being placed come from Fairclough Construction, part of the quoted Amec group which was formed at the end of 1982 by the merger of Fairclough and William Press Group.

Fairclough became a substantial shareholder in John Howard during 1980 and 1981. At that time Fairclough wanted a greater exposure to the international construction market and John Howard needed fresh equity capital following some years of losses.

Following the merger with Press, which already had extensive offshore and international construction interests, it was thought that a major stake in Howard was inconsistent with the long term aims of the merged group.

John Howard, which was founded by Sir John Howard in 1827, has developed a broad range of civil engineering and construction activities but it is its specialist marine engineering work, covering ports, harbours, jetties, quays and bridges, for which it is best known.

In 1973 the company formed a joint venture with C. G. Doris, French offshore engineering company, which led to the formation of Howard Doris in Scotland in 1974, in which John Howard has a 25 per cent interest.

The company's five year track record, including its share of Howard Doris, shows losses in 1979 of £5.1m reducing to a £2.98m loss in '80. The following year there was a small profit and by 1983 the company had recovered sufficiently to report just under £1.5m pre-tax.

In the six months to June 30, 1984 profits amounted to £525,000. The directors are forecasting not less than £1.475m for the year including £525,000 from Howard Doris. A 15p dividend is forecast for the current year but the directors would expect to pay 2.5p in subsequent years from that level of profitability.

On the 71p placing price the fully taxed p/s is 7.7 and the yield 7 per cent.



The Sanwa Bank, Limited
(Incorporated with limited liability in Japan)

Commercial Union Building, 1 Undershaft, London EC3A 8LA

US \$40,000,000

Collateral Negotiable Floating Rate

Dollar Certificates of Deposit due 29th November 1985

In accordance with the provisions of the Certificates, notice is hereby given that The Sanwa Bank, Limited ("The Bank") will prepay the principal amount on the next Interest Payment Date, 30th November 1984, together with interest accrued to that date.

Payment will be made against presentation and surrender of the Certificates at The Bank's London Branch.

Agent Bank:
Bank of America International Limited

Notice of Redemption

WALT DISNEY PRODUCTIONS INTERNATIONAL FINANCE N.V.

15% Guaranteed Notes Due 1986

Notice is hereby given that, pursuant to the provisions of the Fiscal and Paying Agency Agreement dated as of September 1, 1981 among Walt Disney Productions International Finance N.V., Walt Disney Productions, as Guarantor, and Bank of America International S.A., Luxembourg, as Fiscal and Paying Agent, all of the above Guaranteed Notes, constituting \$100,000,000 in principal amount, will be redeemed and prepaid on November 30, 1984 in the principal amount thereof together with accrued interest thereon to said redemption date.

Interest on said Guaranteed Notes shall cease to accrue on the redemption date and on said date the redemption price will become due and payable on each of said Guaranteed Notes.

Payment of Guaranteed Notes will be made upon presentation and surrender thereof, together with all coupons, if any, appertaining thereto maturing subsequent to the redemption date, at the office of Bank of America International S.A., 35 Boulevard Royal, Luxembourg, or, at the option of the holder, at BankAmerica International, 37-41 Broad Street, P.O. Box 466, Church Street Station, New York, New York 10004, U.S.A.; or Bank of America N.T.&S.A., 25 Cannon Street, London EC4A 4HN, England; or Bank of America N.T.&S.A., 43-47 Avenue de la Grande Armée, 75116 Paris, France; or Bank of America N.T.&S.A., 34 Van Eyckle, B 2000 Antwerp 1, Belgium; or Swiss Bank Corporation, Gartenstrasse 9, CH-4002 Basle, Switzerland; or Union Bank of Switzerland, Bahnhofstrasse 45, CH-8021 Zurich, Switzerland; or Bank of America N.T.&S.A., Mainzer Landstrasse 46, 8000 Frankfurt/Main, Germany.

WALT DISNEY PRODUCTIONS INTERNATIONAL FINANCE N.V.
By Bank of America International S.A., Luxembourg,
Fiscal and Paying Agent

Dated: October 30, 1984

Floyd Oil swings back to profit

FLOYD OIL Participations swung back into the black over the year to end-June 1984 partly as a result of an increase in interest from the 1983 rights issued proceeds and exchange gains on cash balances.

At the pre-tax level profits reached £220,533, compared with restated losses of £75,538. Turnover totalled £588,811 (£370,056).

Mr J. E. K. Floyd, the chairman, says the group made substantial progress over the 12 months, pointing out that it acquired production in the North Sea of prime quality to help with the extremely active drilling programme over acreage where it has already met with success.

The group, a USM company, is also continuing to enjoy a rising cash flow from North America.

Operating costs for 1983-84 amounted to £79,774 (£48,864) and depletion £315,437 (£185,137). Administration expenses totalled £23,222 (£28,424) and amortisation of exploration expenses rose from £89,850 to

£148,357. Other income, however, improved from £213,881 to £451,480. Interest charges amounted to £3,888 (nil).

The 1983-84 results were restated to comply with SSAP 20. Mr Floyd says the group took a major step forward in establishing itself as an independent oil and gas production company through the acquisition last July of a 0.5 per cent working interest in the Claymore Field in the North Sea where its share is currently 475 barrels of oil a day.

The value of the group's share of production of Claymore in the first year is expected to be in the region of £4m. The directors say this will make a significant contribution towards funding the East Midlands exploration programme during 1985 and thereafter will provide a reliable income for many years to come with which to finance part of Floyd's exploration activities.

They add that furthermore, following changes introduced by the 1984 Finance Act, the group is now able to offset exploration expenditure against income from producing fields for tax purposes.

The group's principal asset remains its 25 per cent interest in the 12 production licences in the East Midlands. Shareholders are told that financial commitments offshore in the UK, coupled with the decline in the value of sterling, have not assisted Floyd's efforts to expand US activities, but that production has continued to generate cash at an increasing rate.

The directors recognise that "excellent opportunities" for investment in North America still exist and continue to keep these under review. Floyd has now sold its 1.75 per cent interest in EP14 offshore in Western Australia and has redeployed the funds in a 1 per cent carried interest in Block B offshore Java where it will be carried through all expenditure until the establishment of production.

Photax profit at halfway

ALTHOUGH THERE was a turnaround from losses of £78,000 to pre-tax profits of £40,000 for the first six months of 1984, Mrs E. Jacobs, chairman of Photax (London) says that in all probability the year as a whole will not produce any material change in the pattern of trading or profitability.

For the 1983 12 months this manufacturer and importer of photographic equipment incurred losses of £22,000. In the slightly longer term the chairman says there are more hopeful signs, as part of the continuing process of building up the range of the Eastbourne factory-made products company introduced a number of new items over recent months.

This company is bringing out two sizes of film developing tank, which is anticipated to considerably improve its sales of darkroom equipment, both at home and overseas.

Sales for the six months amounted to £3.18m compared with £2.95m, and the tax charge was £13,500, against a credit of £17,500. Loss per share was 0.05p (4.45p) after preference dividends.

Higher costs hit Websters but better full year seen

ALTHOUGH the Websters Group plunged into the red in the first six months of 1984, Sir Peter Line, the chairman, says the figures do not bear direct comparison with the first half of 1983.

The first-half figures show pre-tax losses of £181,000 compared with profits of £495,000, and year-end profits of £2m. Turnover of this printer, publisher, wholesale book and home computer software distributor improved from £20.3m to £25.23m, and operating profits were £71,000 against £58,000. Interest payable was £232,000 compared with £153,000. The interim dividend is 0.9p (same on a smaller capital)—last year's total was 3.1p.

Commenting on the first-half results, Sir Peter says that earlier in the year he pointed out that as the group grew, its

dependence on trading in the second half increased. With the greater spread of group activities, turnover during the period showed a substantial increase.

However, for the first time, the half-year carried the full costs of a major new activity, Websters Software, whose profits will fall wholly in the second six months. Commenting on prospects for the rest of the year, Sir Peter says the outcome for the second half will, as always, depend upon the level of trading during the period leading up to Christmas.

The group is better placed than ever before to benefit from a buoyant Christmas, and on current evidence he is confident about prospects.

Estimated tax relief for the first half is £84,000 (£162,000 charge). The stated loss was 0.74p against earnings of 1.99p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

TODAY	FUTURE DATES
Interim: Aitken Hume International, Clement Clerks, Electrocomponents, Globe Investment Trust, Henderson Group, Reed International, United Ceramic Distributors.	Interim: Airflow Scandinavia, Allied Irish Banks, Associated British Foods, Bradford Property Trust, Calfire, H.A.T., Immediate Business Systems, Land Securities, Latham (James), O.K. Bazzani (1982), Redland, Regalian Properties, Tern.
Finals: Amber Oxy, British Car Auction, Fairview Estates, J. Hapworth, Readson Smith Line.	Finals: Gomme, Goodman Brothers, J. Sainsbury, Microfilm Reprographics, North Atlantic Securities, Smeit (J.) (Constructors).

This announcement appears as a matter of record only.

Slough Estates plc

£40,000,000

11.25 per cent First Mortgage Debenture Stock 2019

Issue Price £97.006 per cent

Placing arranged by

Charterhouse Japhet plc

Brokers to the issue

Sheppards and Chase

Rowe & Pitman

October 1984

TECHNOLOGY

SCOTTISH PAPER MAKER AUTOMATES FOR SUCCESS

On paper Thomas Tait has got it just right

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

THOMAS TAIT seems to have his technology right. The rolling programme of production improvements to his plant at Inverurie north-west of Aberdeen, has enabled this 20th ranked UK paper producer to keep up with and, perhaps, even be in advance of the very big companies.

Much of the rest of the paper industry has been contracting. The casualty rate among small companies like Thomas Tait is high. Of 147 mills 10 years ago, only 102 are still in operation in the UK.

But the right mix of innovation, a company structure allowing profits to be ploughed back into technology and the right niche in the paper market make the company's backers confident of galloping profits from about £1m at present to around £10m by the end of the decade.

It's nice working for a paper company which is going like that," says John Kirby, the Lancashire general manager, thrusting his arm in a trajectory to pass through the fluorescent ceiling light fitting.

Until 1984, Thomas Tait presided over the family business in a very rural setting near the river Don. He took over the company at the age of 21 following the death of his father in a car crash. But the latest Tait, now 36, this year surrendered the family equity held on the business in order to bring in big financial institutions led by 3i corporate finance in Glasgow for his biggest expansion ever, a £22m project to install and house a huge high speed wide paper machine to triple capacity.

The company still appears to be very much a family affair. Tait who seems on first name terms with most of his 300 employees, has an unquenchable thirst for soft drinks. He operates from a small, cluttered and unassuming office he shares with his wife Shiela, who acts as his assistant, and accountant John Martin.

Over an initial bottle of Enosade, Tait reviewed his £2m in previous investments, all designed to meet the trends in the paper business with mounting pulp prices, demands for

lower gramme paper (getting more paper surface per £), and to counter rising energy costs. The Scottish company produces wood-free paper or paper made from wood fibres which are broken down by chemicals. Its market is the printings and writings sector covering areas like copy machine paper, writing paper and envelopes. The estimated 40 per cent import penetration also works in its favour.

The innovation came with Tait's decision to combine the controls for both moisture and substance regulation into the one computer system along the controls over the machine, using the AccuRay computer. It was thought to be the first time these operations were combined into one software program.

This has left the paper machines able to work more efficiently. Losses through paper breakages have dropped by 1.5 per cent from 11.5 per cent of production.

Most significant, the gramme per metre—the weight of the paper—has dropped as the market has dictated. The substance measurement of Tait's envelopes, for example, dropped from around 105 to 85 grammes.

To counter pulp costs, which for Tait have risen devastatingly from £256 a tonne to £400 this year (much of it through unfavourable currency movements), improved production controls have been introduced. These have allowed the ash, or mineral, content to rise from 5 per cent ten years ago to 25 per cent today. This allows cheaper commodities like chalk or China clay to partly replace pulp fibre.

The other technological thrust has been an energy control package computerising the various load factors and supply sources. This combination of Hewlett Packard computer with software from Valtos Technical Systems has accounted for savings of up to £18,000 a month, says Tait.

The company has its own electricity generation through a steam turbine fed by a steam boiler. It burns gas and has a standby tank of propane. The company



Wiggins Teape pulp mill at Fort William, now closed; Tait could reverse the trend

can also call on electricity board supplies. An old coal-fired boiler is being restored with a new turbine. There is even a small water-driven turbine presently under repair which can create about 0.5 megawatt taking water from the neighbouring canal. The plant needs about five when it is underway and will need between 10 and 11 MW with its giant machine.

The computer arranges the optimum energy taking into account availability, costs and demand from the plant. Mains power, for example, is automatically brought in when the machines are being overhauled, or demand for steam is low and the steam turbine consequently not operating at full output.

The market trend for low gramme paper led to Tait's decision to install a wide, high speed Voith West German machine. Tait bought in U.S. paper technology starting with computerised controls of the paper production in 1976 through an AccuRay computer which was updated with a mini computer version two years later.

Then last year came the installation of an Impact moisture control, a device which measures the entire width of the paper machine. Guided by sensors, it locates areas with too high a moisture content and applies infra-red light to that area. A 10 per cent productivity improvement resulted largely in the saving on steam which previously was applied uniformly across the width of the paper, drying the wet areas but also drying other areas unnecessarily.

A Devron thermal-hydraulic substance control put in this year also straddles the high-speed paper run in effect skimming off overly thick areas with its adjustable slice. "To meet demand for lower gramme paper, we had to increase speed. There is less weight of paper per yard so more of it had to be produced. This is where most paper producers have run into trouble as they are unable to increase their speeds to the optimum level and so lose productivity," Tait says.

Many machines produce paper between 100 and 350 grammes per metre. Thomas Tait's new machine, combined with existing equipment, will enable him to span a range from 45 to 320 grammes. Moving on to a large bottle of orange squash, Tait outlined the technical options ahead which seem to point to Scotland's first pulp mill since Wiggins Teape closed its Fort William mill in 1980.

His plant presently uses all chemically produced pulp at about £540 per tonne. Newsprint and lower quality paper is produced from much cheaper mechanical pulp with wood fibres broken down largely through grinding more than by chemicals.

Tait hopes to look at expanding a half-way process called chemical thermal mechanical pulp—combining methods from both processes—and drawing on Scottish timber resources. This would be the kind of flip on which promoters of Scottish forest products have set their sights.

Cable television delays damage hopes of success

THE GOVERNMENT is under attack for delays with legislation and policy decisions over cable television. Some suggest that the delays may cause serious damage to the future of cable television. The story is very familiar to British media watchers—but the government in question is not Mrs Thatcher's but President Mitterrand's.

Cable television and related information technologies have become passionate issues in France—with the kind of Gallic dedication usually reserved for cheese and wine. Grand schemes, such as the free provision of videodata terminals for telephone subscribers to replace telephone directories—and information technology into the home—have been on the agenda in France for some years, and Biarritz even has an experimental fibre optic cable television system. But for all the commitment of the French government (a FF 50bn programme over 20 years), bureaucratic delays make it still less tangible than Britain's all-in cable industry.

Cable television was one of the dominant themes to emerge at this year's VIDCOM in Cannes—the annual event that owes its origins to video, not television. With a mixture of hardware, software, conferencing and buying and selling, VIDCOM has become the autumnal watering place for the world's video industry. But this year the signals begin to show how video is increasingly a catalyst, with the film industry, music business, satellite TV and all other permutations of television merely finding VIDCOM the one international event where everyone has something in common.

The hardware at VIDCOM this year exemplified how the video industry is maturing: there was little surprise in the business. From Philips, a very neat VHS videocassette machine (the Japanese format, once anathema to all European manufacturers). From Pioneer, their new laser video disc player which takes not only 12 inch and 8 inch video discs, but also CD audio discs; Pioneer also claim that a laser video disc player will become available using digital rather than analogue sound—in which case, who wants CD any longer?

As an event, however, VIDCOM is reflecting the changes of the video industry, as both try to discover their new

Video & Film

BY JOHN CHITTOCK

launched in Cannes an ambitious Barry Gibb video music album—*One Now Voyager* and unexpectedly starring Sir Michael Hordern—see the 8 inch disc as a perfect medium for so-called pop promos, the short four minute videos issued by record companies and now widely used on television.

The interest in music video is not confined to pop. The British distributors Arts International had on show at VIDCOM some of the major opera and ballet productions which have recently been the subject of a video disc deal with Philips. And Pony video, a major Japanese software company, demonstrated the remarkable Westernisation of their home video customers by listing in their Japanese catalogue Mantovani and Vivaldi along with Tom Jones and Lionel Hampton.

One participating organisation at Cannes this year which views these developments in music with caution is the IFPI (the International Federation of Phonogram Industries). They see the flood gates opening and washing away copyright protection, especially with satellite television crossing national boundaries which once defined the limit of copyright deals. At VIDCOM Thorn EMI's Music Box channel was exemplifying the point by claiming that—through satellite distribution to European cable networks—they expect to reach 3m subscribers by May of next year.

Legislation over copyright, and the protection of national broadcasting from foreign satellite transmissions, were other issues never far away at VIDCOM. Various governments, as well as the EEC, are examining the problem—Britain is expected to publish soon a Green Paper dealing with the blank tape levy controversy. Spain and Portugal are about to join the ranks of the countries which now operate blank tape levies.

For those whose visit to VIDCOM did not mean sitting in hotel rooms buying and selling programmes, the matter of government involvement in this complex business must have seemed the most striking issue—especially for British observers. The French, through their PTT and a variety of other organisations, are nursing the video, cable and information technology industries with almost a fierce sense of national pride—unlike the British free market economy style.

An example of this is the OCTET Agency, created by the French Ministry of Culture to provide information, co-ordination, programme development and other assistance across all areas of the new media technologies. The agency draws upon the expertise of three existing bodies, one of which already serves the specific needs of audio-visual communication.

Such support contrasts sharply with the tough commercial attitudes of the British, which have contributed to the loss of faith in cable TV displayed two weeks ago by Visionhire's withdrawal and Rediffusion's sale to Robert Maxwell. What is needed for cable is the same kind of help that the government gave to videotex. This had a huge push in Britain, aided by fiscal incentives, without which the UK would not have the world lead it now enjoys in videotex.

It would be wrong to draw parallels with the British lead in video penetration of TV homes, which happened without government help whilst the French at first actively and successfully discouraged video. Ironically, that scenario could be the very one which spells problems for Cable TV in Britain and advantages for the French. Who wants cable TV when a VCR can offer television on tap?

In selling imported technology instead of creating it, we merely confirm that Napoleon was right. Maybe we are a nation of shopkeepers.



Computing

Hidden costs of buying software

IBM mainframe computer users in the UK should not expect to save money by installing a software package rather than developing an application in-house.

The conclusion, which dies in the face of most received wisdom about the costs of packages versus custom written software, comes from a new survey, "Application Packages: acquisition and usage," published by the consultancy Xephon.

Based on a questionnaire answered by 62 data processing managers on IBM mainframe sites, the survey clearly shows that most users have a low opinion on applications packages.

They said: "Except for basic applications such as ledgers and payroll, packages come nowhere near meeting the full range of our requirements."

"It is very difficult to interface packages to applications that have been developed in-house. Packages are better suited to 'green fields' sites than long-established ones."

"Most packages have shocking performance. Packages are not well maintained and updated to make use of new IBM facilities."

Packages are generalised pieces of software written for specific applications such as payroll, accounting, insurance or personnel.

The idea is that the user company modifies its practices to fit the package rather than the other way about. It reckons to save the very substantial development costs of building its own application from scratch.

The Xephon survey suggests these hopes are ill-founded. It says: "The principal saving you will make is in elapsed time to completion."

In other words, you will install it quicker, but it will not do all you want it to. The survey costs £29. Xephon is on 0635 33823.

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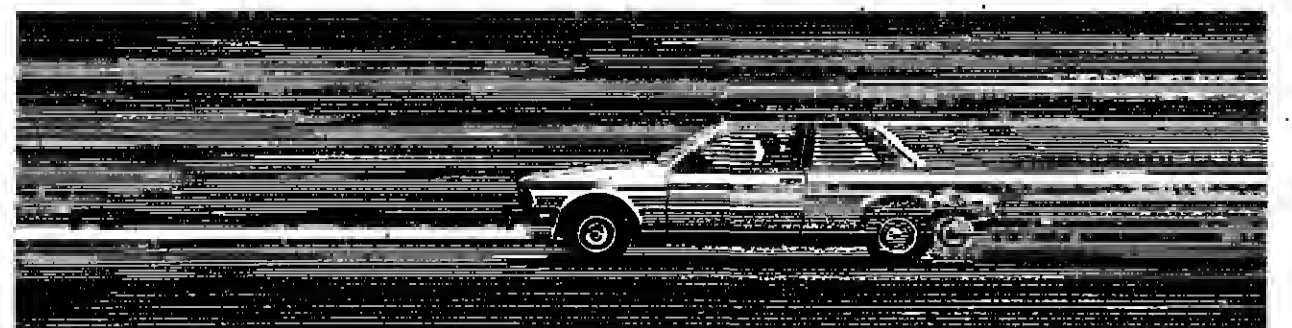
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A Company Called TRW

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

"I REMEMBER our first day here," says Terry Beardow with a grin. "We didn't have a phone in the place so our secretary had to run down to the end of the road and use the public box instead."

BVT, a Manchester-based high technology business which designs and manufactures customised vacuum coating systems, has come a long way since Beardow and fellow engineer Tom Walsh started the company in September last year.

But while British Telecom has since put a stop to the secretary's unseemly dash to the end of the street, the trials and tribulations of the past 13 months illustrate the deep-rooted problem which any new company faces in establishing its credibility in the market place.

This is not to deny BVT's achievements so far. Financed with £1m of venture capital from a variety of City of London sources, the company has now received total orders worth more than £2.5m, has successfully delivered one of its machines to a Californian company, and has built up a workforce of 20 people which is expected at least to double as work on new contracts begins in the next few months.

It is, however, too early to judge BVT's financial results or to tell whether a relatively tiny new venture can succeed against international competitors which are large by any standards. For BVT is bidding for contracts worth anything from £1m to £2m and dealing with customers who need convincing evidence that a small North of England business can deliver reliably and on time.

Says Beardow: "The little guy from Manchester walking round the United States with his suitcase just doesn't stand a chance. Our competitors, who are Japanese and German, are big companies which can afford to field a vast team of people at their presentations and this show of strength obviously goes down well when you are talking big numbers. It doesn't matter if you offer the best specification for the job and the best price—if you're a new company it counts against you."

Beardow and Walsh picked up much of their experience of vacuum coating systems when they were group engineering manager and general manager (vacuum sales) respectively of the Manchester-based, publicly-quoted company General Engineering (Radcliffe). But while Radcliffe is one of the world leaders in vacuum metalising for the packaging industry—depositing a thin film of metal coating onto paper, glass or plastic, such as in the shiny silver paper which comes out of cigarette packets



Tom Walsh (left) and Terry Beardow: confident of competing anywhere in the world.

Facing heavy competition head-on

Tim Dickson on a fledgling vacuum specialist

BVT has been attempting to harness advanced technology and increase the applications for its machines. BVT's machines, for example, are fitted with advanced electron beams (which can melt materials like cobalt and nickel and be used to achieve terrific magnetic density on, say, video tapes) as well as having sputtering units which can successfully deposit materials (such as metal oxides) without melting them.

BVT's application of this technology is not unique—but the only worldwide competitors are Leybold-Heraeus of West Germany, the world's largest vacuum company, and Uvac of Japan.

Life would probably be much easier for Beardow and his colleagues had he succeeded in his original ambition of leading a management buy-out of Radcliffe's vacuum products division. Radcliffe was, in fact, run for almost three years by accountants, Peat Marwick Mitchell after going into receivership in June 1979. But just as the business plan for the

where to go, that's for sure," observes Beardow.

BVT's management team was strengthened by the appointment of Duckworth as chairman and the other DD and S partners have also been appointed directors primarily to keep an eye on the financial management of the new concern.

Progress over the last year has been somewhat slower than the original business plan implied—but Beardow and Walsh remain confident that they can compete anywhere in the world on technical skill and that they have some important inherent advantages. While their Japanese and German competitors, for example, source many of their own parts, BVT, because of its size, has the flexibility to go for the best components that appear on the market.

BVT is also closely associated with the Institute of Vacuum Technology at Dresden, West Germany, a leader in many areas of thin film coating technology. The company, however, fully intends to establish its own R and D facility.

Orders received recently by BVT include one from the Department of Trade and Industry under the Preproduction Order Scheme for Thoma EMI's Capital Magnetics subsidiary and export contracts from Sierra Inc, an aerospace company, and Andus Corporation, both of California.

Credibility, however, remains one of the biggest stumbling blocks and the company pays tribute to Hill Samuel and the Export Credits Guarantee Department for providing crucial backing for the Sierra deal. "We think we were technically well ahead of the competition but we had to go to California seven or eight times to get the contract."

Another problem is the company's almost total dependence at this stage on Walsh and Beardow. "If we go under a bus," jokes Beardow, referring to the keyman insurance policy which has been taken out on their lives, "the shareholders will be very rich."

The two BVT executives, however, are conscious that success can only be achieved with the help of the whole workforce, which will not be allowed to grow more quickly than is absolutely essential. In an impressively democratic gesture, the two men insist that everybody (including themselves) is on the staff, everybody (including them) clocks in first thing, and everybody has the same holiday entitlement and terms and conditions. "We are trying to get away from the old cliché image of Lancashire," says Beardow. "This is a clean, modern factory, not a dirty old workshop."

EVEN SOLE traders who would say they are going it alone need advisers. For a start there is the accountant who, at the very least, acts as an interface with the Inland Revenue. But most businesses use three other key people too—a bank manager, a solicitor and an insurance broker. What should you look for?

For fairly obvious reasons friends and relations should be avoided. Professional relationships are less likely to become clouded by emotion. Advisers are there to help you avoid or solve problems and cool analysis is not always easy if you know someone too well. Of course you may well become good friends over time, but by then you should have established a proper means of working together.

When choosing a bank manager it is not luck whether the relationship will prove satisfactory: you choose your bank (for most practical purposes they are not much different from each other) and get what you're given. Most people then stick to the same bank and branch for the rest of their lives, dealing with a succession of managers.

But managers vary. Some have been better trained than

The four specialists who keep a business in order

The HOW TO of...

CHOOSING ADVISERS

others to understand the needs of small business. These may make demands of you in terms of things like management accounts, but in the long run you will probably do better with them because they will look for ways to help you and make sure of keeping your growing business.

Visit your bank manager at least twice a year. Send him copies of your accounts. Develop the relationship. But if he doesn't show much interest, tout your business round the other banks and tell your manager that you are doing it. You want to be seen as something more than an

entry in a ledger; you never know when you might need your bank manager's goodwill.

Choosing an accountant, solicitor or insurance broker is different. It is best not to go to firms that are so large you will be unimportant to them. Though most have adjusted to or accommodate the small business they need big company clients and the associated fees or commissions to pay their overheads. Big business is what they understand best and they may not appreciate your occasional need for someone to hold your hand.

At the other end of the scale, avoid one-man firms, because there are bound to be times when you want him (or her) and he is on holiday, or ill, or out of town on another client's business. Two or three person partnerships are a better bet because they will always have someone to help you but one partner will know your business well.

What you want is to be treated as someone worth nurturing, so you need people

who know enough about small business to do that. What you don't want are the over-cautious and unimaginative. You want advisers with some life in them and some entrepreneurial flair of their own. They will then probably understand you and your motivations, while having enough professional discipline to temper any over-optimism you may occasionally display.

Don't be overawed by advisers. You want to feel sufficiently at ease to challenge advice, ask for explanations and explore alternatives. Try to find people not too far removed from your own background who will understand what you value in life.

Try and find them, too, within reasonable distance. It is difficult to pick people who are 50 miles away when a look in the Yellow Pages will identify plenty within walking distance. To pick out the likeliest it is as well to ask around your friends, business contacts and, if you are happy with him, your bank manager. You can always change, though you should not do so too often. But when you find people you are happy with, stick with them.

Ian Hamilton Fazey

'Oiling the wheel' in Leeds

A LITTLE more can go a long way when you are setting up a small firm. That's the view of John Upex, who runs a business "nursery" in Leeds.

"Given some expertise and a sheltered environment, it is perfectly possible to start a business with perhaps a few thousand pounds," he says.

Yet start-up finance remains one of the main problems for the would-be businessman. "Banks often just do not want to know about a man with a good idea, who has perhaps a failure or two behind him, and who needs a few thousand to get started again," says Upex.

He provides start-up money as share capital, provides an office space, a desk and a telephone. "Then it's up to the individual to work. You can't expect results from just turning up every day."

He runs Upex Industries business nursery in Wellington Street, Leeds, which he set up last February after leaving an engineering company he had established five years ago in Smeeth, Kent. Four small businesses are at present under his wing. Another, in solar beating, folded earlier this year. So what expertise and aid does Upex feel he can offer aspiring businessmen?

He says he understands their difficulties and frustrations first hand, and can bring a steady influence. "Many want someone to oil the wheels and, as it were, hold their hands."

Upex says he opened the nursery "to fill a big gap in the market." He left RJP Engineering in Kent and put the £18,000 he received on leaving into setting up his "sheltered environment," as he calls it. He leases 600 sq ft of office space and 2,000 sq ft of factory. More is readily available, he says, if a venture needs it.

The nursery provides whatever specialist management the ventures may lack, says Upex. Usually in the fields of general and financial management and control, but also in design, marketing and sales.

Before starting his Kent business, Upex studied engineering at university and worked for Sir Robert McAlpine and for Babcock.

One of the four companies under the Upex roof is PHD Chemicals, run by Jonathan Palmer. He heard of the scheme through the Leeds Business Venture in May this year. Now he says his cleansing and greasing solution business is heading for a £1m turnover in 1984-85. Palmer says of Upex: "In

less than one week, he'd got me into a 'go' situation.

"What John can do is put in finishing touches and polish edges. Without him I wouldn't be in business now."

Upex put £7,000 share capital into PHD and is a co-director — as he is of all the companies.

The three other businesses are Martin Gray's Gray Cleansing Systems, David Moore's Travelmore travel agency, and John Palmer's tyre casing company. Upex sees their growth as more gradual than PHD's, but is hopeful that they will succeed.

"Of course there's an element of risk," says Upex. But he feels that by taking a substantial share of each venture and pooling his skills with those of the venture, the risk is minimised.

The nursery, he says, expects to make its profit from the success of the businesses, in which it is actively involved—rather than from purely "parasitic" activity.

But Upex pays a penalty for his single-minded approach. "I can't relax," he admits. And he doesn't.

John Kitching

In brief . . .

SIXTY of London's small businesses will have the chance to show their goods to buyers representing department stores throughout the world at a "Profit in Store '84" exhibition to be held at the Honourable Artillery Company in the City on November 22 and 23.

They have been chosen from over 200 applicants. The exhibition is organised by the London Enterprise Agency, is sponsored by British Petroleum, and has the backing of the Export Buying Offices Association, whose members will be represented on the first day.

Anyone wishing to attend can contact Jane West at the London Enterprise Agency on 01-236 2675/6/7.

A JOINT venture between Guidehouse, the City of London issuing house, and Capital for Companies has been established to undertake corporate finance work for small listed and private companies in the North of England. Guidehouse will buy 10 per cent of Capital for Companies, the Leeds investment company, for the First and Second Yorkshire Business Expansion Funds as part of the deal.

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SECTION III - INTERNATIONAL MARKETS
FINANCIAL TIMES

Tuesday October 30 1984

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WALL STREET

Caution
as Opec
convenes

FINANCIAL markets on Wall Street took on a more cautious edge yesterday as the Opec ministers convened in Geneva and the U.S. Presidential campaign approached its peak, writes Terry Byland in New York.

The credit markets, which expect to be hit on Thursday by the Treasury's announcement of its fourth-quarter refunding plans, shied away from a federal funds rate edging above the crucial 10 per cent.

The stock market trod water around its established levels, with turnover down to its lowest level since the Columbus Day holiday. The Dow 1,200 mark held firm, however, and prices steadied at the close, when the Dow Jones industrial average was 3.54 down at 1,201.41.

Only 62m shares traded, the lowest daily total since October 8. Shares were helped by a late improvement in bonds, after Fed funds eased to 9 1/2 per cent.

The rise in federal funds was discouraging for the markets, which last week took the view that the Federal Reserve had lowered its monitoring range to below 10 per cent. Mr Donald Regan the Treasury Secretary, encouraged this

more optimistic view yesterday when he told a meeting of U.S. savings and loan institutions that the sluggishness in monetary growth "leaves a lot of room for the Fed to ease."

Several bond market specialists, notably Dr Henry Kaufman of Salomon Bros, have questioned the reliability of the recent downturn in rates. Also unsettling is the expected weight of Treasury funding, possibly for as much as \$50bn before the end of the year.

Significant data on U.S. economic progress is due for release this week. The Commerce Department will publish its index of leading economic indicators for September and also revise its August figure. Some bond market participants believe this will show a further sharp slowdown in the economy, with unsettling implications for a stock market already turning sluggish.

Oil stocks continued to drag behind the market yesterday as traders awaited news from the Opec meeting. Other major stocks were steady, but across the broader range of the market, disappointment brought out some sellers. Reduced block trading indicated that the bid institutions had stayed out of the market, leaving the private investor to take profits.

Atlantic Richfield lost 3/4 to \$47.75, and Chevron, also a North Sea producer in Europe, dipped 5/8 to \$33. Phillips Petroleum at \$39 1/2 was 5/8 off. Exxon shed 3/4 to \$43 1/2, with half a million shares traded by midsession.

Mobil at \$30 1/2 was 3/4 lower, after shedding an early gain, which reflected speculative hopes of a bid - perhaps from the old adversary, Mr Boone Pickens of Mesa Petroleum.

IBM improved 3/4 to \$244. General Motors 5/8 to \$79 1/2, Dow Chemical 3/4 to \$29 1/2 and Texas Instruments 1 1/4 to \$125 1/2. Semiconductor issues brightened after last week's shake-out.

But United Steel at \$23 gave up 5/8. Merck, the pharmaceutical group, dipped 5/8 to \$84 1/2. Monsanto lost 5/8 to \$44. Sears Roebuck 3/4 to \$32 1/2 and J. C. Penney 5/8 to \$53 1/2.

R. J. Reynolds, the cigarette manufacturer, eased 5/8 to \$69, despite the plan to buy in up to 10m shares at \$73.50. At \$36 1/2 Textron eased 5/8 after its chairman reiterated his opposition to the approach from Chicago Pacific.

In the credit market, federal funds opened at 9 1/2 per cent but soon crept higher. Tensions eased as midsession passed without any further move to drain reserves by the Fed, but Treasury bill rates remained at Friday night's levels, with three-month bills at 9.32 per cent and six-month at 9.58 per cent.

Government bond prices opened firmly, but the pace slackened as the funds rate moved up. Institutional interest remained slow, although yesterday's bill auction was the only Treasury cash-raising due this week. The price of the key 30-year long bond at 106 1/2 was 1/2 up.

TOKYO

Wary view
of gains
takes hold

TRADING remained slow in Tokyo yesterday, reflecting an uncertain outlook for Wall Street and a lack of incentives, but share prices closed moderately higher, writes Shigeo Nishitani of Jiji Press.

The Nikkei-Dow market average rose 25.98 from Saturday to 11,178.93, on volume of 362.83m shares, slightly up from Friday's 345.69m. Advances outpaced declines by 384 to 296, with 129 issues unchanged.

Increasing wariness was shown at the rapid upward trend in prices that began on October 18 and has taken the index close to the all-time high of 11,190.17 reached on May 4.

Speculative issues drew interest. Ube Industries topped the list of active stocks with 14.10m shares changing hands, rising 7/8 to ¥218 on news of its advance into pharmaceuticals and agricultural chemicals.

Biotechnology-related drug-makers were also busy, but with the accent on selling. Daiinippon Pharmaceutical, the pace-setter in the recent surge of pharmaceutical issues, fell ¥280 to ¥5,500 on profit-taking, and Daiichi Sankyo ¥40 to ¥2,350. Mochida Pharmaceutical suffered a fifth consecutive maximum allowable daily loss of ¥500 to ¥14,100.

Conversely, food manufacturers diversifying into pharmaceuticals attracted buyers, with Takara Shuzo climbing ¥2 to ¥599 on investor appraisal of its research into biotechnology.

Non-ferrous metals were also traded heavily, accounting for three of the five busiest stocks. Mitsubishi Metal dropped ¥8 to ¥852 on volume of 11.39m shares, while Mitsui Mining and Smelting weakened ¥12 to ¥520 and Sumitomo Metal Mining ¥10 to ¥1,620.

During the afternoon, high-priced issues gained ground on the strength of light purchases. KDD, Japan's international telecommunications monopoly, advanced ¥790 to ¥23,790. Kyocera ¥390 to ¥8,040 and Sumitomo Special Metals ¥350 to ¥8,240.

Other gainers were city banks and non-life insurance companies. Sumitomo Bank firmed ¥90 to ¥1,240 and Tokio Marine and Fire ¥32 to ¥660. Elsewhere, Shinagawa Fuel scored a daily limit rise of ¥100 to ¥720.

The bond market firmed in extremely thin trading, with securities companies purchasing bonds to build up their holdings. Some trust banks issued small-lot sell orders for profit-taking in the over-the-counter market, but other investors kept a generally low profile.

The yield on the barometer 7.5 per cent government bond, due in December 1990, fell sharply to 6.885 per cent, from last Friday's 6.930 per cent.

HONG KONG

LOCAL profit-taking amid uncertainty over the outlook for interest rates following yesterday's prime rate cut by domestic banks left Hong Kong lower.

The Hang Seng index dropped 17.54 to 1,039.30.

Banking issues saw Bank of East Asia shed 60 cents to HK\$20.50, Hang Seng Bank 75 cents to HK\$31 and Hongkong and Shanghai Bank 5 cents to HK\$58.70.

Among other leaders, Cheung Kong fell 15 cents to HK\$8.35, Hutchison Whampoa 20 cents to HK\$14.30, Jardine Matheson 15 cents to HK\$7.65 and Swire Pacific 30 cents to HK\$19.

A LATE rally eliminated earlier declines in Sydney, enabling the All-Ordinaries index to edge 0.2 higher to 750.60.

Nicholas Kiwi added a further 2 cents to AS\$4.60 in response to the announcement by Consolidated Foods of the AS\$4.30 a share being offered by Reckitt and Colman of the UK.

Elsewhere, Comalco continued to respond to higher aluminum prices, gaining 5 cents to AS\$2.50.

EUROPE

Flick fears
unsettle
Frankfurt

THE RAMIFICATIONS of the Flick bribery allegations continued to unsettle West German equity and credit markets yesterday as regional election results indicated a drop in support for the country's ruling centre-right coalition and the affair threatened to engulf Chancellor Helmut Kohl.

The Frankfurt retreat did, however, come on a day when few other continental European centres could find an upward impetus, and the existence of underlying support was shown in a late rally - albeit in thin dealings - which pulled prices off the worst.

The midsession daily calculation on the Commerzbank index was 11.8 down at 1,062.0, off 39.2 - or more than 3 1/2 per cent - since its peak set just a week earlier.

Profit-taking prompted falls of DM 8.50 in Siemens at DM 437.50, DM 8.50 for Deutsche Babcock at DM 145 and DM 21.50 by Porsche at DM 1,028. AEG came close to losing its recently attained hold on the DM 100 level with a DM 2.50 dip to DM 101.

The financial side was markedly better supported, and Dresdner Bank's 50 pfgr firmer finish at DM 160 was one of the day's few gains. Deutsche Bank recovered an initial DM 4 loss to end steady at DM 385.50, while insurer Allianz added DM 7 to DM 1,055. Its associate Munich Re held at DM 1,150.

Lufthansa, amid the current oil price uncertainty, shed DM 4.40 to DM 188.50. The domestic bond market, meanwhile, could find no fuel for a rally, and losses averaged 1/2 point. The Bundesbank bought DM 74.6m of paper, after Friday's DM 104.3m purchases.

Amsterdam, by contrast, had banks among the weakest in a thinly traded session. ABN fell Ff 6.50 to Ff 338 and Ned Mid Ff 2 to Ff 149, while the insurance sector showed Nat-Ned Ff 1.50 weaker at Ff 240.

Muted gains were managed both by Royal Dutch, 70 cents up at Ff 188.50, and KLM, which at Ff 42.30 firmed 20 cents.

Domestic bonds were little changed. A downward drift occurred in dull Paris trading, bringing the market off last week's peaks. BSN-Gervais lost Ffr 35 to Ffr 2,490 ahead of parent company results. Avions Dassault fell Ffr 26 to Ffr 739 and Carrefour at Ffr 1,715 was off Ffr 25.

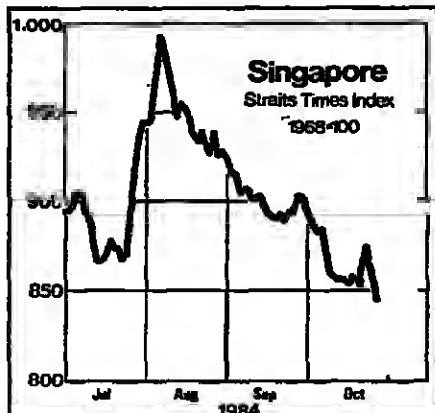
Stocks within the Pesenti empire were in favour in Milan. Italmobiliare put on L2,400 to L63,800 and remained in demand in after-hours dealings, while Italcementi added L300 to L54,080, reportedly on institutional buying. Generali gained L450 to L30,350.

Government bonds firmed. An otherwise lacklustre Zurich was enlivened by the debut of Gavazzi, the holding company for an electronic components maker, which closed well above expectations at SwFr 3,900, against an issue price of SwFr 2,400. The introduction of forward dealings in other Swiss exchanges brought no great flurry of demand.

Bond held steady. Brussels drew selling of Petrofina, down Bfr 40 at Bfr 7,420 on poorer than expected results from its U.S. unit. Comextra, also in the oil sector, shed Bfr 50 to Bfr 3,070 despite the planned disposal of its Zaire interests and acquisition of Valex, a U.S. producer, both moves being viewed as positive.

A mixed to lower Stockholm result allowed Asea a SKr 15 rise to SKr 370, but MoDo was that amount lower at SKr 260.

The food sector held out against an otherwise lower Madrid trend.



SINGAPORE

PRIME RATE cuts over the weekend by the four major local banks failed to provide any cheer in Singapore, and shares continued their downward drift, ending at their lowest level for 19 months.

The Straits Times index fell 10.54 to 842.94, taking the cumulative decline over the past four trading sessions to 32.55.

The lethargy is being attributed to a reduction in bank lending for investment and the depressed state of the local property market.

The major newspaper shares, suspended since mid-July pending a reorganisation, resumed trading. Straits Times was 90 cents higher at S\$10.90, Singapore News 30 cents firmer at S\$5.80 and Times Publishing 5 cents up at S\$8.05.

LONDON

Telecom
sale catches
attention

INVESTMENT thoughts in London began turning seriously yesterday to the UK's largest-ever share sale, the impending 64bn privatisation of British Telecom. Signs emerged that investors were reserving their funds for the flotation while there also remained some doubt over immediate market trends.

Worries about oil prices and Nigeria's attitude to production cuts also made for caution. When business opened, gilt-edged and leading industrial shares were a shade easier, but the downturn was reversed by a mid-morning demand for longer-dated gilts.

Conventional longs regained early losses extending to 1/4 to stand 1/2 higher before drifting off after hours to close a net 1/4 up on balance. The shorts managed improvements of 1/4.

Equities took their cue from gilts, and most leading stocks recovered their early losses by noon. Selective buying later extended the upturn, and the FT Industrial Ordinary share index, 2 points down at the first calculation, closed 5.0 higher at 878.2.

Leading oils opened lower but gradually improved on reports that Opec ministers were confident of reaching early agreement.

Chief price changes, Page 28; Details, Page 29; Share information service, Pages 30-31

SOUTH AFRICA

GOLD SHARES picked up early losses in Johannesburg to close firmer on the day, in the wake of the slide to a record low in the value of the rand during the session.

Randfontein added R4 to R218, having opened at R210, while Libanon put on 50 cents to R39.

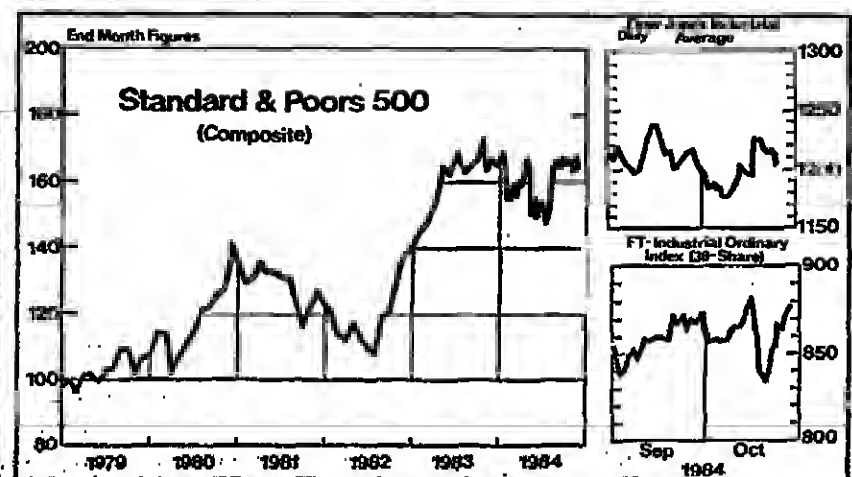
Platinum also recovered from easier opening levels, with Impala up 40 cents at R24.75. Among mining financials, Anglo American was up 50 cents at R24.25.

CANADA

SHARP declines in the gold sector paced an overall decline in Toronto, with weakness also evident in oil and gas issues and in metals and minerals.

Montreal showed strength among banks and industrials but less favour for utilities.

KEY MARKET MONITORS



STOCK MARKET INDICES			
	Oct 29	Previous	Year ago
NEW YORK			
DJ Industrials	1,201.41	1,211.02	1,223.48
DJ Transport	525.02	528.24	576.81
DJ Utilities	141.41	142.23	138.26
S&P Composite	164.73	165.31	163.57
LONDON			
FT Ind Ord	878.2	873.2	703.1
FT-SE 100	1,136.1	1,130.5	927.4
FT-A All-share	536.3	534.21	437.38
FT-A 500	583.86	581.37	474.3
FT Gold mines	518.2	544.8	461.3
FT-A Long gilt	10.40	10.43	10.42
TOKYO			
Nikkei-Dow	11,178.93	11,155.02	9,321.37
Tokyo SE	853.55	850.18	683.3
AUSTRALIA			
All Ord.	750.8	750.5	682.7
Metals & Mins.	441.6	441.1	504.2
AUSTRIA			
Credit Aktien	57.27	57.00	54.25
BELGIUM			
Belgian SE	163.32	163.99	122.73
CANADA			
Toronto			
Metals & Mins	1,830.2	1,854.9	2,231.0
Composite	2,350.0	2,370.2	2,360.3
Montreal			
Portfolio	115.71	118.59	115.3
DENMARK			
Copenhagen SE	166.48	165.79	199.05
FRANCE			
CAC Gen	181.9	183.0	141.3
Ind. Tendance	116.5	119.1	89.1
WEST GERMANY			
FAZ-Aktien	363.82	376.36	339.28
Commerzbank	1,062.00	1,073.5	1,006.9
HONG KONG			
Hang Seng	1,039.3	1,056.84	826.13
ITALY			
Borsa Comm.	208.87	210.34	185.71
NETHERLANDS			
ANP-CBS Gen	179.9	180.8	137.1
ANP-CBS Ind	142.1	143.2	112.0
NORWAY			
Ose SE	268.71	267.08	203.38
SINGAPORE			
Straits Times	842.94	853.48	948.89
SOUTH AFRICA			
Gold	1,030.7	1,022.3	691.5
Industrials	889.3	889.3	891.2
SPAIN			
Madrid SE	144.02	144.77	125.23
SWEDEN			
J & P	n/a	1,482.78	1,438.33
SWITZERLAND			
Swiss Bank Ind	379.8	380.4	345.9
WORLD			
Oct 28			
Capital Int'l	184.1	185.4	179.0

CURRENCIES			
	Oct 29	Previous	Oct 28
U.S. DOLLAR			
(London)			
\$/£	3.0725	3.0725	3.1715
DM	248.85	245.75	297.25
FFf	8.4125	8.33	11.5775
SwFr	2.52	2.487	3.0475
Guilder	3.4523	3.4325	4.18
Lira	1,804.5	1,885.5	2,299.0
¥	61.91	61.35	74.8
CS	1.3191	1.31725	1.5865
STERLING			
(London)			
£/\$	1.2215	1.209	1.2215
DM/£	3.715	3.715	3.705
FFf/£	11.41	11.5775	11.41
SwFr/£	3.0475	3.0475	3.0425
¥/£	4.18	4.18	4.1875
CS/£	74.8	74.8	74.8
INTEREST RATES			
(3-month offered rate)			
£	10 1/2	10 1/2	10 1/2
SwFr	5 1/2	5 1/2	5 1/2
DM	5 1/2	5 1/2	5 1/2
FFf	11	11	11
FT London Interbank fixing (offered rate)			
3-month U.S.\$	10 1/2	10 1/2	10 1/2
6-month U.S.\$	10 1/2	10 1/2	10 1/2
U.S. Fed Funds	9 1/2	9 1/2	9 1/2
U.S. 3-month CDs	9.80	9.85	9.85
U.S. 3-month T-bills	9.31	9.33	9.33

U.S. BONDS			
	Oct 29	Previous	Yield
Treasury			
11% 1988	100 1/2	11.30	100 1/2
12% 1991	101 1/2	11.88	101 1/2
12% 1994	103 1/2	11.94	103 1/2
12% 2014	106 1/2	11.75	106 1/2
Corporate			
AT & T			
10% June 1990	92 1/2	12.15	92 1/2
3% July 1990	71	10.85	71
8% May 2000	75 1/2	12.30	75 1/2
Xerox			
10% March 1983	91 1/2	12.30	91 1/2
10% May 1983	90 1/2	12.40	90 1/2
Federated Dept Stores			
10% May 2013	75 1/2	12.30	75 1/2
Abbot Lab			
11.90 Feb 2013	99	12.70	99
Alcoa			
12% Dec 2012	95 1/2	12.85	95 1/2

FINANCIAL FUTURES			
	Oct 29	Previous	Yield
CHICAGO			
U.S. Treasury Bonds (CBT)			
5% 32nds of 100%	69-31	70-05	69-25
U.S. Treasury Bills (TMM)			
\$1m points of 100%	90.55	90.57	90.51
Certificates of Deposit (CMT)			
\$1m points of 100%	89.75	89.78	89.68
LONDON			
Three-month Eurodollar			
\$1m points of 100%	89.36	89.38	89.26
20-year National Gilt			
£50,000 32nds of 100%	106-19	106-27	106-10

COMMODITIES			
	Oct 29	Previous	Yield
(London)			
Silver (spot fixing)	595.85p	595.50p	595.50p
Copper (cash)	£1,074.00	£1,077.00	£1,077.00
Coffee (Nov)	£2,522.50	£2,513.00	£2,513.00
Oil (spot Arabian light)	\$28.05	\$28.18	\$28.18

ONLY THE PUREST GOLD HAS
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Over 3000 years ago, the ancient Egyptians immortalized their King Tutankhamen in the purest of gold. Even then they knew that pure gold would have everlasting value

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

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Continued on Page 23

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

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Continued on Page 28

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

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هكذا صنع القوم

Year	Age	Sex	Location	Year	Age	Sex	Location
71	71	M	Clark & Wilson, Gm	71	71	M	Clark & Wilson, Gm
72	72	M	Clark & Wilson, Gm	72	72	M	Clark & Wilson, Gm
73	73	M	Clark & Wilson, Gm	73	73	M	Clark & Wilson, Gm
74	74	M	Clark & Wilson, Gm	74	74	M	Clark & Wilson, Gm
75	75	M	Clark & Wilson, Gm	75	75	M	Clark & Wilson, Gm
76	76	M	Clark & Wilson, Gm	76	76	M	Clark & Wilson, Gm
77	77	M	Clark & Wilson, Gm	77	77	M	Clark & Wilson, Gm
78	78	M	Clark & Wilson, Gm	78	78	M	Clark & Wilson, Gm
79	79	M	Clark & Wilson, Gm	79	79	M	Clark & Wilson, Gm
80	80	M	Clark & Wilson, Gm	80	80	M	Clark & Wilson, Gm
81	81	M	Clark & Wilson, Gm	81	81	M	Clark & Wilson, Gm
82	82	M	Clark & Wilson, Gm	82	82	M	Clark & Wilson, Gm
83	83	M	Clark & Wilson, Gm	83	83	M	Clark & Wilson, Gm
84	84	M	Clark & Wilson, Gm	84	84	M	Clark & Wilson, Gm
85	85	M	Clark & Wilson, Gm	85	85	M	Clark & Wilson, Gm
86	86	M	Clark & Wilson, Gm	86	86	M	Clark & Wilson, Gm
87	87	M	Clark & Wilson, Gm	87	87	M	Clark & Wilson, Gm
88	88	M	Clark & Wilson, Gm	88	88	M	Clark & Wilson, Gm
89	89	M	Clark & Wilson, Gm	89	89	M	Clark & Wilson, Gm
90	90	M	Clark & Wilson, Gm	90	90	M	Clark & Wilson, Gm
91	91	M	Clark & Wilson, Gm	91	91	M	Clark & Wilson, Gm
92	92	M	Clark & Wilson, Gm	92	92	M	Clark & Wilson, Gm
93	93	M	Clark & Wilson, Gm	93	93	M	Clark & Wilson, Gm
94	94	M	Clark & Wilson, Gm	94	94	M	Clark & Wilson, Gm
95	95	M	Clark & Wilson, Gm	95	95	M	Clark & Wilson, Gm
96	96	M	Clark & Wilson, Gm	96	96	M	Clark & Wilson, Gm
97	97	M	Clark & Wilson, Gm	97	97	M	Clark & Wilson, Gm
98	98	M	Clark & Wilson, Gm	98	98	M	Clark & Wilson, Gm
99	99	M	Clark & Wilson, Gm	99	99	M	Clark & Wilson, Gm
100	100	M	Clark & Wilson, Gm	100	100	M	Clark & Wilson, Gm

NOMURA
INTERNATIONAL LIMITED
NEW-ERA INVESTMENT
AND UNDERWRITING
OFFICES WORLDWIDE
3 Gresham Street EC2A 3DP
Telephone (01) 263 8811

MINES - Continued

Stock	Price	% Chg	Div	Yield
Central African	150.00	+0.6	1.00	0.67
De Beers	100.00	+0.5	1.00	1.00
Gold Fields	120.00	+0.8	1.00	0.83
Impresso	110.00	+0.9	1.00	0.91
Lonrho	130.00	+1.0	1.00	0.77
Platinum	140.00	+1.1	1.00	0.71
Roan Antelope	160.00	+1.2	1.00	0.63
Stannary	170.00	+1.3	1.00	0.59
Transvaal	180.00	+1.4	1.00	0.56
Witwatersrand	190.00	+1.5	1.00	0.53

OVERSEAS TRADERS

Stock	Price	% Chg	Div	Yield
Anglo-Indo	100.00	+0.5	1.00	1.00
Anglo-Siam	110.00	+0.6	1.00	0.91
Anglo-Tan	120.00	+0.7	1.00	0.83
Anglo-Tibet	130.00	+0.8	1.00	0.77
Anglo-Turk	140.00	+0.9	1.00	0.71
Anglo-Yam	150.00	+1.0	1.00	0.67
Anglo-Zim	160.00	+1.1	1.00	0.63
Anglo-Zim	170.00	+1.2	1.00	0.59
Anglo-Zim	180.00	+1.3	1.00	0.56
Anglo-Zim	190.00	+1.4	1.00	0.53

PLANTATIONS

Stock	Price	% Chg	Div	Yield
Anglo-Indo	100.00	+0.5	1.00	1.00
Anglo-Siam	110.00	+0.6	1.00	0.91
Anglo-Tan	120.00	+0.7	1.00	0.83
Anglo-Tibet	130.00	+0.8	1.00	0.77
Anglo-Turk	140.00	+0.9	1.00	0.71
Anglo-Yam	150.00	+1.0	1.00	0.67
Anglo-Zim	160.00	+1.1	1.00	0.63
Anglo-Zim	170.00	+1.2	1.00	0.59
Anglo-Zim	180.00	+1.3	1.00	0.56
Anglo-Zim	190.00	+1.4	1.00	0.53

MINES

Stock	Price	% Chg	Div	Yield
Anglo-Indo	100.00	+0.5	1.00	1.00
Anglo-Siam	110.00	+0.6	1.00	0.91
Anglo-Tan	120.00	+0.7	1.00	0.83
Anglo-Tibet	130.00	+0.8	1.00	0.77
Anglo-Turk	140.00	+0.9	1.00	0.71
Anglo-Yam	150.00	+1.0	1.00	0.67
Anglo-Zim	160.00	+1.1	1.00	0.63
Anglo-Zim	170.00	+1.2	1.00	0.59
Anglo-Zim	180.00	+1.3	1.00	0.56
Anglo-Zim	190.00	+1.4	1.00	0.53

REGIONAL & IRISH STOCKS

Stock	Price	% Chg	Div	Yield
Anglo-Indo	100.00	+0.5	1.00	1.00
Anglo-Siam	110.00	+0.6	1.00	0.91
Anglo-Tan	120.00	+0.7	1.00	0.83
Anglo-Tibet	130.00	+0.8	1.00	0.77
Anglo-Turk	140.00	+0.9	1.00	0.71
Anglo-Yam	150.00	+1.0	1.00	0.67
Anglo-Zim	160.00	+1.1	1.00	0.63
Anglo-Zim	170.00	+1.2	1.00	0.59
Anglo-Zim	180.00	+1.3	1.00	0.56
Anglo-Zim	190.00	+1.4	1.00	0.53

OPTIONS - 3-month call rates

Stock	Price	% Chg	Div	Yield
Anglo-Indo	100.00	+0.5	1.00	1.00
Anglo-Siam	110.00	+0.6	1.00	0.91
Anglo-Tan	120.00	+0.7	1.00	0.83
Anglo-Tibet	130.00	+0.8	1.00	0.77
Anglo-Turk	140.00	+0.9	1.00	0.71
Anglo-Yam	150.00	+1.0	1.00	0.67
Anglo-Zim	160.00	+1.1	1.00	0.63
Anglo-Zim	170.00	+1.2	1.00	0.59
Anglo-Zim	180.00	+1.3	1.00	0.56
Anglo-Zim	190.00	+1.4	1.00	0.53

INDUSTRIALS - Continued

Stock	Price	% Chg	Div	Yield
Anglo-Indo	100.00	+0.5	1.00	1.00
Anglo-Siam	110.00	+0.6	1.00	0.91
Anglo-Tan	120.00	+0.7	1.00	0.83
Anglo-Tibet	130.00	+0.8	1.00	0.77
Anglo-Turk	140.00	+0.9	1.00	0.71
Anglo-Yam	150.00	+1.0	1.00	0.67
Anglo-Zim	160.00	+1.1	1.00	0.63
Anglo-Zim	170.00	+1.2	1.00	0.59
Anglo-Zim	180.00	+1.3	1.00	0.56
Anglo-Zim	190.00	+1.4	1.00	0.53

PROPERTY - Continued

Stock	Price	% Chg	Div	Yield
Anglo-Indo	100.00	+0.5	1.00	1.00
Anglo-Siam	110.00	+0.6	1.00	0.91
Anglo-Tan	120.00	+0.7	1.00	0.83
Anglo-Tibet	130.00	+0.8	1.00	0.77
Anglo-Turk	140.00	+0.9	1.00	0.71
Anglo-Yam	150.00	+1.0	1.00	0.67
Anglo-Zim	160.00	+1.1	1.00	0.63
Anglo-Zim	170.00	+1.2	1.00	0.59
Anglo-Zim	180.00	+1.3	1.00	0.56
Anglo-Zim	190.00	+1.4	1.00	0.53

INVESTMENT TRUSTS - Cont.

Stock	Price	% Chg	Div	Yield
Anglo-Indo	100.00	+0.5	1.00	1.00
Anglo-Siam	110.00	+0.6	1.00	0.91
Anglo-Tan	120.00	+0.7	1.00	0.83
Anglo-Tibet	130.00	+0.8	1.00	0.77
Anglo-Turk	140.00	+0.9	1.00	0.71
Anglo-Yam	150.00	+1.0	1.00	0.67
Anglo-Zim	160.00	+1.1	1.00	0.63
Anglo-Zim	170.00	+1.2	1.00	0.59
Anglo-Zim	180.00	+1.3	1.00	0.56
Anglo-Zim	190.00	+1.4	1.00	0.53

OIL AND GAS - Continued

Stock	Price	% Chg	Div	Yield
Anglo-Indo	100.00	+0.5	1.00	1.00
Anglo-Siam	110.00	+0.6	1.00	0.91
Anglo-Tan	120.00	+0.7	1.00	0.83
Anglo-Tibet	130.00	+0.8	1.00	0.77
Anglo-Turk	140.00	+0.9	1.00	0.71
Anglo-Yam	150.00	+1.0	1.00	0.67
Anglo-Zim	160.00	+1.1	1.00	0.63
Anglo-Zim	170.00	+1.2	1.00	0.59
Anglo-Zim	180.00	+1.3	1.00	0.56
Anglo-Zim	190.00	+1.4	1.00	0.53

SHIPPING

Stock	Price	% Chg	Div	Yield
Anglo-Indo	100.00	+0.5	1.00	1.00
Anglo-Siam	110.00	+0.6	1.00	0.91
Anglo-Tan	120.00	+0.7	1.00	0.83
Anglo-Tibet	130.00	+0.8	1.00	0.77
Anglo-Turk	140.00	+0.9	1.00	0.71
Anglo-Yam	150.00	+1.0	1.00	0.67
Anglo-Zim	160.00	+1.1	1.00	0.63
Anglo-Zim	170.00	+1.2	1.00	0.59
Anglo-Zim	180.00	+1.3	1.00	0.56
Anglo-Zim	190.00	+1.4	1.00	0.53

SHOES AND LEATHER

Stock	Price	% Chg	Div	Yield
Anglo-Indo	100.00	+0.5	1.00	1.00
Anglo-Siam	110.00	+0.6	1.00	0.91
Anglo-Tan	120.00	+0.7	1.00	0.83
Anglo-Tibet	130.00	+0.8	1.00	0.77
Anglo-Turk	140.00	+0.9	1.00	0.71
Anglo-Yam	150.00	+1.0	1.00	0.67
Anglo-Zim	160.00	+1.1	1.00	0.63
Anglo-Zim	170.00	+1.2	1.00	0.59
Anglo-Zim	180.00	+1.3	1.00	0.56
Anglo-Zim	190.00	+1.4	1.00	0.53

LEISURE - Continued

Stock	Price	% Chg	Div	Yield
Anglo-Indo	100.00	+0.5	1.00	1.00
Anglo-Siam	110.00	+0.6	1.00	0.91
Anglo-Tan	120.00	+0.7	1.00	0.83
Anglo-Tibet	130.00	+0.8	1.00	0.77
Anglo-Turk	140.00	+0.9	1.00	0.71
Anglo-Yam	150.00	+1.0	1.00	0.67
Anglo-Zim	160.00	+1.1	1.00	0.63
Anglo-Zim	170.00	+1.2	1.00	0.59
Anglo-Zim	180.00	+1.3	1.00	0.56
Anglo-Zim	190.00	+1.4	1.00	0.53

MOTORS, AIRCRAFT TRADES

Stock	Price	% Chg	Div	Yield
Anglo-Indo	100.00	+0.5	1.00	1.00
Anglo-Siam	110.00	+0.6	1.00	0.91
Anglo-Tan	120.00	+0.7	1.00	0.83
Anglo-Tibet	130.00	+0.8	1.00	0.77
Anglo-Turk	140.00	+0.9	1.00	0.71
Anglo-Yam	150.00	+1.0	1.00	0.67
Anglo-Zim	160.00	+1.1	1.00	0.63
Anglo-Zim	170.00	+1.2	1.00	0.59
Anglo-Zim	180.00	+1.3	1.00	0.56
Anglo-Zim	190.00	+1.4	1.00	0.53

COMMERCIAL VEHICLES

Stock	Price	% Chg	Div	Yield
Anglo-Indo	100.00	+0.5	1.00	1.00
Anglo-Siam	110.00	+0.6	1.00	0.91
Anglo-Tan	120.00	+0.7	1.00	0.83
Anglo-Tibet	130.00	+0.8	1.00	0.77
Anglo-Turk	140.00	+0.9	1.00	0.71
Anglo-Yam	150.00	+1.0	1.00	0.67
Anglo-Zim	160.00	+1.1	1.00	0.63
Anglo-Zim	170.00	+1.2	1.00	0.59
Anglo-Zim	180.00	+1.3	1.00	0.56
Anglo-Zim	190.00	+1.4	1.00	0.53

COMPONENTS

Stock	Price	% Chg	Div	Yield
Anglo-Indo	100.00	+0.5	1.00	1.00
Anglo-Siam	110.00	+0.6	1.00	0.91
Anglo-Tan	120.00	+0.7	1.00	0.83
Anglo-Tibet	130.00	+0.8	1.00	0.77
Anglo-Turk	140.00	+0.9	1.00	0.71
Anglo-Yam	150.00	+1.0	1.00	0.67
Anglo-Zim	160.00	+1.1	1.00	0.63
Anglo-Zim	170.00	+1.2	1.00	0.59
Anglo-Zim	180.00	+1.3	1.00	0.56
Anglo-Zim	190.00	+1.4	1.00	0.53

GARAGES AND DISTRIBUTORS

Stock	Price	% Chg	Div	Yield
Anglo-Indo	100.00	+0.5	1.00	1.00
Anglo-Siam	110.00	+0.6	1.00	0.91
Anglo-Tan	120.00	+0.7	1.00	0.83
Anglo-Tibet	130.00	+0.8	1.00	0.77
Anglo-Turk	140.00	+0.9	1.00	0.71
Anglo-Yam	150.00	+1.0	1.00	0.67
Anglo-Zim	160.00	+1.1	1.00	0.63
Anglo-Zim	170.00	+1.2	1.00	0.59
Anglo-Zim	180.00	+1.3	1.00	0.56
Anglo-Zim	190.00	+1.4	1.00	0.53

NEWSPAPERS, PUBLISHERS

Stock	Price	% Chg	Div	Yield
Anglo-Indo	100.00	+0.5	1.00	1.00
Anglo-Siam	110.00	+0.6	1.00	0.91
Anglo-Tan	120.00	+0.7	1.00	0.83
Anglo-Tibet	130.00	+0.8	1.00	0.77
Anglo-Turk	140.00	+0.9	1.00	0.71
Anglo-Yam	150.00	+1.0	1.00	0.67
Anglo-Zim	160.00	+1.1	1.00	0.63
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Anglo-Zim	180.00	+1.3	1.00	0.56
Anglo-Zim	190.00	+1.4	1.00	0.53

PROPERTY - Continued

Stock	Price	% Chg	Div	Yield
Anglo-Indo	100.00	+0.5	1.00	1.00
Anglo-Siam	110.00	+0.6	1.00	0.91
Anglo-Tan	120.00	+0.7	1.00	0.83
Anglo-Tibet	130.00	+0.8	1.00	0.77
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Anglo-Zim	190.00	+1.4	1.00	0.53

INVESTMENT TRUSTS - Cont.

115	116	Alcock Bros. 10p	130	90.6	56	117
116	117	Asiatic Paper	130	94.2	54	118
117	118	Asiatic Petroleum	130	94.2	54	119
118	119	Asiatic Petroleum	130	94.2	54	120
119	120	Asiatic Petroleum	130	94.2	54	121
120	121	Asiatic Petroleum	130	94.2	54	122
121	122	Asiatic Petroleum	130	94.2	54	123
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315	316	Asiatic Petroleum	130	94.2	54	317
316	317	Asiatic Petroleum	130	94.2	54	318
317	318	Asiatic Petroleum	130	94.2	54	319

OFFSHORE AND OVERSEAS

[illegible]

Aluminium upsurge in London loses momentum

BY RICHARD MOONEY

LAST WEEK'S dramatic upsurge in London Metal Exchange aluminium prices ran out of steam yesterday after news of a big rise in LME warehouse stocks last week sparked off widespread profit-taking. Prices moved higher initially, encouraged by sterling's easier opening tone, but the trend was reversed when the stocks rose to 3,500 tonnes to 143,500—was announced. The cash quotation, which last week gained 477, ended the day 16 down at 520.50 a tonne.

Dealers said the market was

LONDON METAL EXCHANGE WAREHOUSE STOCKS	
(Changes in week ending Oct. 27)	
Aluminium	+3,500 to 143,500
Copper	-425 to 143,000
Lead	-325 to 11,650
Nickel	-186 to 23,690
Tin	-1,420 to 35,725
Zinc	-1,025 to 35,725
Silver	-2.17m to 52.28m
	(tray ounces)

nervous after the sharp rise, which was encouraged by Japanese buying and producer output cuts. Some indication of a change of sentiment in the

overstuffed physical sector was still awaited, they said. The International Primary Aluminium Institute's September stock figures, due out on November 12, should give an indication of how much impact recent production cuts were having on stock levels. News of another U.S. production cut yesterday helped to lift the market a few pounds from lows reached in the morning. Dealers said, Reynolds Metals said it was temporarily closing its 25,000-tonne a year potline at its Jones Mills, Arkansas, plant.

U.S. farm options arrive amid hopes

BY NANCY DUNNE, RECENTLY IN CHICAGO

THE AUGUST exterior of the Chicago Board of Trade looks like a badly wrapped gift. Long, ribbon-like banners proclaim the long-awaited coming of agricultural options. The type is on, too, at five other futures exchanges, which expect to introduce farm options today, ending a 50-year ban on such trading.

All have high hopes that agricultural options will lift the grains markets from the doldrums, brought on by high world surpluses. Soybean options on the board, scheduled to start trading tomorrow, are being based on the highest volume agricultural contract of the year.

Between January and September 0.4m soybean contracts changed hands, though by last month the contract's strength had begun to wane and volume was down to 501,000.

The Chicago Mercantile Exchange will launch corn futures today in another sliding futures market. In the first nine months of the year volume

in the Merc's live-cattle contract plummeted from 3.3m contracts last year to 2.7m in this.

Also to start trading in agricultural options today are wheat, cotton, soybeans, and corn. The Chicago Board of Trade, with cotton options, Mid-America Commodity Exchange, with soft winter wheat options, Minneapolis Grain Exchange, with a hard spring wheat contract, and a hard red winter wheat contract.

It is the industry's great hope that farm options will attract new hedgers among farmers and livestock producers who cannot afford the risks involved in futures. Many young, college-educated farmers have indicated they will try the new contracts.

Questions, however, are voiced by some analysts on the chances for agriculture options when their underlying futures contracts lack volatility. Some express concern, particularly about the long-run future for cattle. Merc officials said the live-stock industry had become a processing industry much like

the poultry business. Cattle is increasingly raised on massive feed lots near Kansas City and Denver where it is bred, fed and slaughtered on a continuous production line process.

The huge operations remove much of the uncertainty which has characterised beef production. In 10 years or less, cattle futures could conceivably be as dead as the egg contracts of the past decade, the official said.

While grain production is less certain, the world surplus is not. There is price movement in grains but nothing to excite widespread speculation, which provides market liquidity.

Still, the exchanges express confidence on the outlook for the new hedging tool. The Chicago board is expecting to introduce maize options next year and the Merc expects to weigh in with a live-hog contract in the first quarter of 1985. Merc officials said the live-stock industry had become a processing industry much like

Controls on premium milk prices to end

THE GOVERNMENT is to scrap price controls on premium milk from next week. Mr Michael Jopling, Agriculture Minister, announced in the Commons written reply yesterday.

The move, which affects Channel Islands, South Devon, ultra-high treated and homogenised milk, is a prelude to the likely deregulation of pasteurised-milk prices at the end of this year.

COCOA consuming countries have proposed a price range of 30 or 40 cents around a midpoint of 100 cents per pound. The move is a prelude to the likely deregulation of pasteurised-milk prices at the end of this year.

THE EEC expects its wheat exports to rise from 15.7m to 18.2m tonnes in 1984-85, up 11 per cent to 28 per cent from 1983-84. European Commission forecasts issued in a French report.

This would be well above the Community's self-imposed export limit last season of 14 per cent of the world market, which it exported 14.2m tonnes of wheat.

JAPAN'S RICE output in the marketing year ending October 31 next year was estimated at 11.84m tonnes against an estimated 10.37m in 1983-84, by the Agriculture Ministry in Tokyo.

U.S. ROASTINGS of green coffee in the week ended October 20 were about 350,000 kg, including soluble production, compared with 365,000 kg in the corresponding week of last year, George Gordon Paton said.

Ylang-ylang faces bleak future

Michael Griffen on a crisis in the perfume industry

THE PERFUME industry deals with a remarkable array of small producers scattered at ideal altitudes and in idyllic climates across the world. For this reason the international trade in the raw materials of perfumery has remained conveniently arcane.

The great perfume-houses are understandably sceptical about the value of the ingredients they use. Increased counter prices are unlikely to reflect a shortfall in the lemon-grass crop or the rising price of nutmeg in Ethiopia, still the largest supplier of civet.

While buyers of coffee or tea long ago accepted that a part of the price was set aside for upkeep and was thus an investment in the continuing high output and quality of future crops, the idea has not percolated down to the perfume-houses.

With prices stagnant for nearly a decade and the strong dollar looting out the benefits for the producers, the future is looking bleak for ylang-ylang, a tropical climate in rich volcanic soil to the east. It was introduced to European perfumers in 1864.

The Philippine Islands held a virtual monopoly on the trade until 1900 when the centre of the industry shifted to the Indian Ocean islands of Reunion, Comoros and Madagascar.

Reminiscent of jasmine, ylang-ylang constitutes almost a perfume in itself—ethereal, flower-fragrant, blends well with bergamot, lilac and lily of the valley.

The pruned trees yield 20 kg to 30 kg throughout the year but the main harvest takes place between April and June, when women and children collect the

but only if the users accept paying more. We should be selling 'Extra' for FF 600 to FF 650. Production will drop until prices begin to rise.

Growers in the Comoros Islands are far less confident. The republic has the highest population density in the world with more than 200 people trying to eke a living from every square kilometre. Nearly half the islands' foodstuffs are imported. Few jobs are available and wages are low.

Low returns for the small-holder have also led to a decline in quality. Damaged flowers, which cause the sound material to ferment in the basket, and green ones, which contain less oil, are indiscriminately mixed together to make up weight.

In Mayotte, where French labour laws guarantee higher minimum salaries, Société Bambao, the largest grower in the Indian Ocean, has been forced to abandon a 400-hectare estate due to high picking costs.

Fuel costs, too, have become prohibitive and forest cover on the islands of Grand Comoros and Anjouan has been seriously depleted.

Ylang-ylang shares many of the problems of other labour-intensive cash-crops, with the difference that the value of the trade, \$2m to \$3.5m (\$2.5m to \$2.9m) annually, is only the equivalent of a publicity budget for a major perfume.

Added to that, the Comoros, Mayotte and Madagascar are politically divided and unlikely to bring any concerted pressure to bear on the great perfume-houses.

Yet, in spite of the incursions of synthetics at the bottom end of the market the perfume industry will continue to need supplies of high-quality essence for many years to come.

Unless perfumers make a serious effort to acknowledge the current crisis among growers and resolve it, the supply could prove to be more and more haphazard.

Revamped meat commission proposed

By Andrew Gowers

CHANGES in the way British meat is promoted and a shake-up in the Meat and Livestock Commission were proposed in an independent report issued yesterday.

The report was prepared for the commission by a team of three senior figures from the food industry. It suggested a radical change in funding of meat promotion, involving adoption of a split levy.

It also recommended that the commission's Meat Promotion Executive Committee and advisory panel cease to exist in its present form. Instead, marketing and promotion should be handled by a small, integrated staff team.

Under the proposed funding system, the existing levy—equally shared between live-stock producers and the meat trade—would continue to fund the commission's traditional work and a general campaign to promote meat's image.

A separate levy, however, would be payable by producers to fund the promotion of specific products. The proposed change reflects continuing rivalry among producers of different meats who have traditionally resented paying a general levy to fund promotion campaigns by competitors.

If the recommendations are accepted the revamped commission will lay more emphasis on marketing.

The report proposes establishment of a new marketing department and urges spending more money on research, nutritional advice and consumer education.

Initial reaction from the National Farmers' Union, said Mr Sidney Fawcett, its vice-president, said a great deal of clarification was needed.

PRICE CHANGES

Oct. 29 to Oct. 30, 1984

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm in quiet trade

The dollar was much firmer on the foreign exchanges yesterday. There was no sign of intervention by the German Bundesbank, and trading was generally quiet, although fears remain that the central bank may show its hand again if the U.S. currency continues to advance much above the DM 3.07 level. Demand for the dollar increased as the market awaits the currency's resilience after intervention by the Bundesbank last week pushed it to a low of DM 2.9950. A rise in the Federal funds rate to 10 per cent, amid speculation the downward trend in U.S. interest rates might have come to an end, also supported the dollar, and it closed near the highest levels of the day.

The dollar rose to DM 3.0735 from DM 3.0275; FF 9.4125 from FF 9.35; SwFr 2.8210 from SwFr 2.8070; and Y46.85 from Y46.35. On Bank of England figures the dollar's index rose to 142.1 from 141.2.

Several important economic statistics are due for publication this week, including leading indicators for September. These are expected to confirm a slowdown in U.S. economic growth, while there was also suggestion the monthly trade deficit will widen.

STERLING — Trading range against the dollar in 1984 is 1.4965 to 1.1875. September average 1.2588. Exchange rate index DM 3.0735 from 3.0275, after opening at 75.0 and falling to 74.8 in the afternoon, compared with 73.7 six months ago. Sterling weakened against the dollar, and also last ground to several other currencies, but improved against the D-mark and Swiss franc. Nigeria's refusal to increase its oil price tended to depress the pound, but there was no other major factor as the market awaits the outcome of talks between the National Coal Board and National Union of Mineworkers over the pit dispute.

Sterling fell 1.25 cents to

1.2085-1.2095, after touching a low of 1.2060. It also weakened to FF 9.3575 from FF 9.4125 and Y27.25 from Y30.00, but rose to DM 3.0735 from DM 3.0275 and SwFr 2.8210 from SwFr 2.8070.

D-MARK — Trading range against the dollar in 1984 is 3.1410 to 2.5535. September average 3.0235. Trade-weighted index 121.1 against 125.8 six months ago. The D-mark weakened against other major currencies as the Frankfurt exchange rate rose to DM 3.0642 from DM 3.0388 without any intervention by the German Bundesbank. The central bank was not expected to enter trading on the open market after the fixing, but dealers were very

cautious after Friday when the Bundesbank sold an estimated \$50m in late trading, following similar intervention on Friday.

A firmer trend in U.S. interest rates helped to underpin the dollar, and there were also rumors of purchases by Soviet sources, but trading was generally quiet. Sterling rose to DM 3.0740 from DM 3.0720 at the fixing, and the Swiss franc to DM 1.2182 from DM 1.2180. Within the EMS the French franc improved to DM 33.820 per 100 francs from DM 32.585, and the Dutch guilder to DM 38.675 from DM 38.645.

STERLING EXCHANGE RATE INDEX
(Bank of England)
Oct 26 Previous

	Oct 26	Previous
9.00 am	74.9	75.0
10.00 am	74.9	75.0
11.00 am	74.9	75.0
Noon	74.8	75.0
1.00 pm	74.8	75.0
2.00 pm	74.8	75.1
4.00 pm	74.8	75.1

New York rates

	Oct 26	Prev. close
1 Spot (\$1.00/£1.00)	1.2085-1.2095	1.2060-1.2070
1 month	1.2085-1.2095	1.2060-1.2070
3 months	1.2085-1.2095	1.2060-1.2070
6 months	1.2085-1.2095	1.2060-1.2070
12 months	1.2085-1.2095	1.2060-1.2070

Forward premiums and discounts apply to the U.S. dollar.

UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not individual currencies.

Belgian rate is for convertible franc. Financial franc 65.36-75.45.

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FINANCIAL FUTURES

Quiet trading

Trading was mostly dull and featureless in the London international Financial Futures Exchange yesterday as the market focused its attention on next week's U.S. Presidential election. The bullish nature of President Reagan's probable re-election has already been well discounted. The recent decline in U.S. interest rates was probably the only point of interest with the market trying to assess the trading rate on overnight Federal funds. A rise in the latter to 10 per cent helped the dollar move firmer, however, several attempts were recently to push it higher. Three-month Euro-dollars for December delivery opened at

\$9.27 down from \$9.26 but came back to finish unchanged at \$9.26. Sterling based contracts showed very little change in dull and light trading. The December short sterling price opened at \$9.88 down from \$9.75 on Friday and rose to a best level of \$9.72 before closing at \$9.71. The gilt contract for December delivery finished at 106.19 unchanged from Friday. Buying opened at 106.14 and trading between a high of 106.27 and a low of 106.10.

The FT-SE sector moved firmer in line with a stronger equity market with the December contract finishing at 113.55 up from 112.90.

LONDON

	Close	High	Low	Prev
Dec	89.36	89.38	89.36	89.36
Mar	89.36	89.38	89.36	89.36
Jun	89.36	89.38	89.36	89.36
Sep	89.36	89.38	89.36	89.36
Dec	89.36	89.38	89.36	89.36

Set volume 4,038 (7,887)

Previous day's open in 10.628 (9,903)

Set volume 1,113 (1,637)

Previous day's open in 1.917 (5,865)

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U.S. TREASURY BONDS 8% \$100,000

	Close	High	Low	Prev
Dec	89.36	89.38	89.36	89.36
Mar	89.36	89.38	89.36	89.36
Jun	89.36	89.38	89.36	89.36
Sep	89.36	89.38	89.36	89.36
Dec	89.36	89.38	89.36	89.36

Set volume 1,067 (1,595)

Previous day's open in 2.041 (1,204)

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Set volume 1,067 (1,595)

Previous day's open in 2.041 (1,204)

Set volume 1,067 (1,595)

Previous day's open in 2.041 (1,204)

INTERNATIONAL CAPITAL MARKETS

OVER-THE-COUNTER

Continued from Page 28

Stock	Sales	High	Low	Last	Chg
Alcoa	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4
Aluminum	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4

Stock	Sales	High	Low	Last	Chg
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Alumina	140	28	27 1/2	27 3/4	+1/4
Aluminum	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4
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Alumina	140	28	27 1/2	27 3/4	+1/4
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Alumina	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4
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Alumina	140	28	27 1/2	27 3/4	+1/4
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Alumina	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4
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Alumina	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4
Alumina	140	28	27 1/2	27 3/4	+1/4

EUROBONDS

Complex \$100m warrant issue for Royal Bank

BY MAGGIE URRY IN LONDON

WARRANT ISSUES continued to flood a steady Eurodollar bond market yesterday and the structure of the deals is becoming more complex.

Orion Royal Bank with co-leads Morgan Stanley and Chemical Bank, launched a \$100m bond issue for Royal Bank of Canada. Instead of adding enough warrants to buy an equivalent amount of bonds, however, extra warrants were offered, which if exercised meant that \$150m of the "back" bonds will be issued.

The front bond has a seven year life and 12 1/2 per cent coupon with a par issue price. The warrants, priced at \$31, give the right to buy a seven year bond with a 12 1/2 per cent coupon. The front bond can be called at 101 to the extent that the warrants are exercised.

The issue went well, the warrants were bid at \$35, while the bonds were just inside the 1 1/4 per cent fees.

Laid in the day, Morgan Guaranty launched a \$75m bond issue for Den Norske Creditbank, with 75,000 warrants. Both the front and back bonds have a seven year life and 12 1/2 per cent coupon. The bonds were issued at 100 1/4 and the warrants at \$35. This is a partly paid feature, 20% is due in November, the rest in May 1985.

BHF Bank bond average	Oct 29	Previous
High	101.441	101.574
Low	101.218	101.056

Warrant fever spread to the Euro-Canadian dollar sector, where TransCanada Pipeline launched a C\$75m issue with 75,000 warrants. The bonds have a five year life and 12 1/2 per cent coupon, and were priced at 100. The warrants, priced at C\$38, get into a 10-year bond with the same coupon. Lead manager is Wood Gundy, with Hambros and UBS (Securities) as co-leads.

In the Eurodollar floating rate note market the Belgian National Railways, SNCB, made a \$75m issue, with a seven year life, paying interest at 3/4 per cent over Libor. The issue, lead managed by Societe Generale de Banque, traded well inside the total fees of 40 basis points.

Yamaichi International (Europe) cut the coupon on its \$50m issue for Hazama-Gumi, the Japanese construction group, from 9 1/2 per cent to 9 1/4 per cent. The accompanying equity warrants give the right to buy shares at ¥470, a 2.17 per cent premium to the market price. The issue, the first with equity warrants for some time, traded around 101.

Two Yankee bond issues appeared. One for New Zealand raised \$500m, with a coupon related to money market rates. It will have an initial life of three months but can be extended to 10 years. Lead manager is Kidder Peabody. The Japan Development Bank is launching a \$100m seven year Yankee bond, with a coupon fixed at the same level as its seven year Treasury securities. Lead manager is First Boston.

Now that Japanese interest rates have fallen, the postponed Samurai issue for the Inter-American Development Bank has been launched by Nomura Securities. The 12-year bonds have a 7 1/2 per cent coupon and 90 1/2 issue price.

The African Development Bank is following up its sterling issue, with an eight year Swiss franc public issue raising Sfr 80m to 100m. Lead manager Credit Suisse gave an indicated yield of 6 1/4 per cent. Banca del Gottardo set the coupon for the Sfr 120m Council of Europe issue at 8 per cent, as indicated.

Swiss franc bonds were mixed yesterday, while D-Mark issues were slightly weaker. Middenstandsbank announced a five-year Euro-guilder issue for Fl 125m, with a 7 1/2 per cent coupon and 99 1/2 issue price.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past weeks were supplied by: Kreditbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kreditbank Luxembourg; Algemeine Bank Nederland NV; Pierson, Hellding and Pierson; Credit Suisse/Swiss Credit Bank; Akroyd and Smithers; Bank of Tokyo International; Blyth Eastman, Pain, Webber International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBI International; Kidder Peabody International; LTCB International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co; Samuel Montagu and Co; Scandinavian Bank; Societe Generale Strauss Turbun; Sumitomo Finance International; S. G. Warburg and Co; Swiss Bank Corporation International; Wood Gundy. The following are closing prices for October 29.

U.S. DOLLAR	Interest	Rate	Change	Yield
Alcoa 11 1/2% 94	100	94 1/2	+0 1/4	12.84
Alumina 11 1/2% 94	100	94 1/2	+0 1/4	12.84
Aluminum 11 1/2% 94	100	94 1/2	+0 1/4	12.84
Alumina 11 1/2% 94	100	94 1/2	+0 1/4	12.84
Alumina 11 1/2% 94	100	94 1/2	+0 1/4	12.84

OTHER CURRENCIES	Interest	Rate	Change	Yield
Deutsche Mark 11 1/2% 94	100	94 1/2	+0 1/4	12.84
Deutsche Mark 11 1/2% 94	100	94 1/2	+0 1/4	12.84
Deutsche Mark 11 1/2% 94	100	94 1/2	+0 1/4	12.84
Deutsche Mark 11 1/2% 94	100	94 1/2	+0 1/4	12.84
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EUROBONDS	Interest	Rate	Change	Yield
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FINANCIAL TIMES SURVEY

ALUMINIUM

The industry is going through the traumas of accelerated structural change. The leading producers are concentrating once again on developing new uses for the metal in the hope of creating growth.

Producers wake up to end of lingering illusion

BY IAN RODGER

THINGS WILL never be the same in the world aluminium industry. The sudden collapse of the metal's price last spring, at a time when demand was strong, marked the end of the lingering illusion that this industry was still controlled by a half-dozen integrated multinational companies.

This final symbolic confirmation of that change came last week when Alcan Aluminium, the largest producer, acknowledged that its world list price was no longer a useful reference in aluminium markets. Prices are now set daily by merchants, mainly in the terminal markets, such as the London Metal Exchange.

Major structural change was already under way in the industry before this year's events, but it now appears to be accelerating. In the last recession, only the Japanese and U.S. producers closed high-cost capacity. This year, the leading European companies, too, have reduced their output as prices have fallen.

The changes taking place undoubtedly offer opportunities for some, but for others the outlook seems less bright. Two second-tier U.S. producers, Atlantic Richfield and Martin

Marietta, have recently decided to get out of the aluminium business completely, and other troubled companies could follow. On the other hand, Alcoa, which was formed only 10 years ago by Amax of the U.S. and Mitsui of Japan, is already close to being the third largest U.S. producer.

The main cause of change in the industry has been the emergence of several new aluminium producers around the world, many of them sponsored by governments. The aluminium smelting process uses a lot of electricity, and countries with available power or raw material have seen it as a way to achieve industrial development. This trend continues, with Jamaica and Colombia agreeing last month to invest \$500m in a 140,000-tonne smelter in Colombia.

Most of the new producers do not yet have local markets for most of their metal, and so they must sell it on the open market. Some have very low costs, others get government support, but the net result is a significant increase in tonnage on the market which continues to be available even when market prices are very low. This tonnage has contributed

to the depressed prices that have prevailed for most of the past four years. It has also exposed many of the integrated producers' smelters as being uncompetitive. The integrated producers resented this invasion of their industry and have tried hard to resist it. But they now accept that aluminium has become a commodity, like copper or cocoa.

Tougher life

The meaning of this change varies from company to company. Alcan, for example, has seen an opportunity to strengthen its position in the industry. The company has very low cost smelters and has maintained output in the past four years, thus making life even tougher for competitors with high costs.

Others, such as Alcoa and Kaiser, have recognised that at times it is cheaper to buy metal on the open market than to make it and so they have adopted flexible metal supply policies. The Japanese have closed down permanently most of their capacity.

It seems likely that more producers will follow this trend to dis-integration. Such a move

may be difficult for some to accept, but it is not necessarily bad for the industry.

The aluminium industry's past successes have tended to come from developing new uses for the metal rather than from organic growth of existing markets and industry leaders still have a missionary-like zeal about the qualities of their metal.

Kitchen foil was a virtually unknown product 30 years ago. Now it consumes 1m tonnes of aluminium a year around the world, 7 per cent of the total. The aluminium beverage can, unknown 20 years ago, now consumes 1.5m tonnes of metal a year in the U.S. alone.

However, in the wake of the first oil crisis in 1973, most of the integrated producers dropped their emphasis on product development and concentrated instead on trying to line up low cost raw materials and energy for their smelters.

One result was an extraordinary investment binge in bauxite mining and alumina refining. Western world alumina refining capacity stands at over 51m tonnes but total production last year was only 23.5m tonnes.

Now that metal supply is

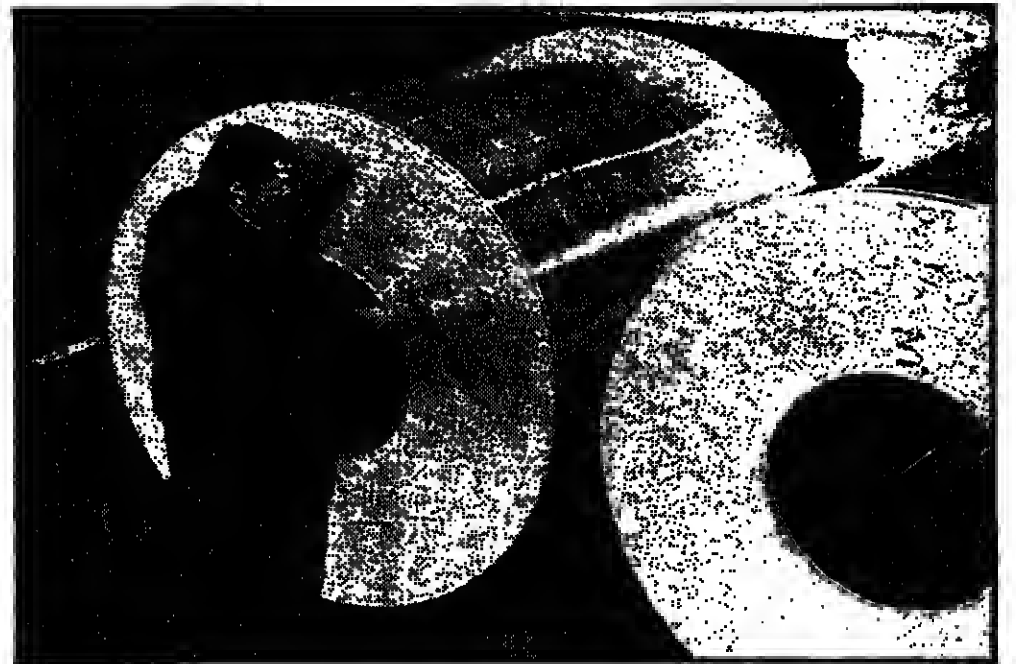
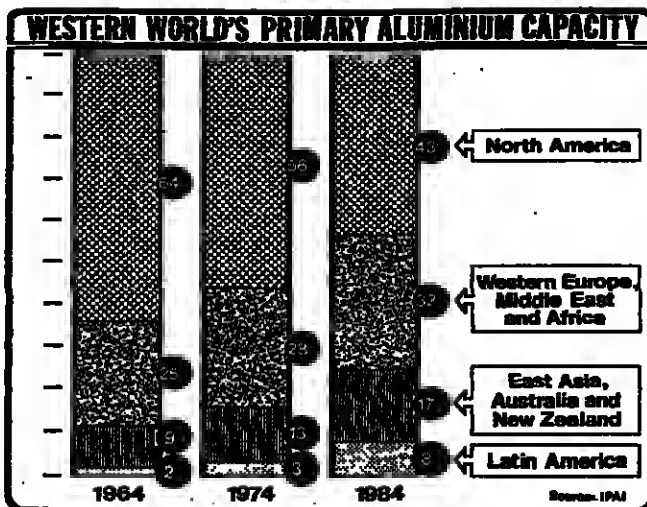
likely to be a problem for the foreseeable future, producers say they are going back to concentrating on product development.

The average growth of aluminium consumption has slowed considerably in recent years, and some analysts think the industry has become mature. Mr David Reynolds, chairman of Reynolds Metals and the industry's senior statesman, dismisses this view. "I believe that vast untapped markets for aluminium around the world are waiting to be cultivated."

Mr Reynolds speaks with authority, having led his company in the development of a number of important aluminium markets, notably the beverage can. He decries what he calls the "ingot syndrome," and urges companies to invest in developing new products and markets.

He himself is particularly optimistic about the automotive market, now that aluminium engineers are turning their attention to basic components, such as engines, radiators and wheels, that capitalise on many of aluminium's qualities, not just its light weight.

Alcoa, Alcan and Pechiney



Commercial alloy sheet the most widely used aluminium product, coming off the hot line in coil form at the Rogerstone, South Wales works of British Alcan Sheet.

are excited about aluminium lithium, a new lightweight alloy suitable for aircraft manufacture. Alcan is also introducing a new aluminium radiator for home heating, which takes up only a fraction of the space of steel radiators.

What remains to be seen is whether the integrated aluminium companies can develop satisfactory profits from converting the metal into products, particularly those that have to rely increasingly on the open market for their metal supply.

Prices slumped

Indeed, the increasing volatility of the aluminium market is becoming a subject of concern. No one was surprised when prices slumped to the 45 cents per pound range in 1982 because demand was also very depressed. Western world consumption that year was only 16.7m tonnes, compared with a peak of 12.5m tonnes in 1979.

Last year, consumption rose to 11.8m tonnes and prices reached 80 cents a pound by November. Consumption has continued to rise strongly this year, but prices have tumbled to the 50 cents a pound range. Companies that had been

enjoying a long needed profit recovery suddenly found their progress halted. Kaiser Aluminium and Chemical of the U.S. tumbled back into loss in the third quarter and Alcan and Alcoa both reported declines from earlier quarters this year.

Initially, many analysts blamed this year's price setback on the speed with which producers reopened smelters when prices improved. The western world production rate rose 12 per cent between September last year and March of this year. But when prices started to fade again in the late spring, many producers were equally quick to throttle back.

Now, some analysts believe that the main factor in this year's price collapse was a large one-off reduction of inventories by consumers.

Whatever the cause, the industry has been shocked by the violent swing in the LME price this year on the basis of what it sees as a minor imbalance in supply and demand, and one that was quickly corrected. If this sort of pattern continues, some say it could lead to a permanent cycle of instability. However, there is hope that, as the market acquires more participants,

particularly knowledgeable participants from the industry, the volatility will be reduced.

The immediate outlook for the industry is difficult to forecast. Most analysts see a slowing down of the economic recovery in the U.S. and Europe next year, but opinions are sharply divided on how the aluminium sector will fare. Some believe that production has been reduced enough to bring market prices back to more reasonable levels. And LME prices have been firming in recent weeks.

Others, such as M Georges Besse, chief executive of Pechiney, believe another 500,000 tonnes of capacity needs to be closed.

Over the medium term, the industry is certainly in for more turmoil. While the trend to dis-integration now seems well established, it has not yet proven a financially successful structure for anyone. Many of the new primary producers that lack downstream operations have lost a lot of money. Similarly, those now trying to run internationally competitive fabricating businesses without secure sources of metal, notably the Japanese, may find that this is too tall an order.

It comes in a limitless variety of forms, it's incredibly strong yet only a third of the weight of steel, it conducts electricity better than copper, it's long lasting, highly resistant to corrosion and, unlike plastic, can be easily recycled after use.



Aluminium. The most versatile metal there is.

Aluminium touches our lives daily in countless ways. From cooking foil to tooth paste. From windows and doors, to the façades of towering office blocks.

It's used for motor car engine blocks and cylinder heads.

It's used to build London's double-decker buses, as well as the giant European Airbus.

Its superior electrical conductivity means that it is standard specification for National Grid overhead transmission lines and for many underground cables.

New aluminium alloys, containing lithium, are helping aerospace manufacturers produce lighter, more economical aircraft.

There's also a super-plastic aluminium called 'Supral' which, in a single operation, can be stretched to 10 times its length and blow-moulded to produce the most complex shapes.

'Supral' is used to make the very latest incubators for premature babies; an example of how aluminium can touch our lives from birth.

Aluminium will undoubtedly continue to improve the quality and performance of manufactured products for a long time to come.

World resources of bauxite, the raw material from which aluminium is made, are virtually unlimited.

And aluminium can be easily recycled using only a modest energy input.

Importantly, British Alcan will continue to supply industry with material, expertise and inspiration.

By continuing its investment in research and development.

By improving industrial efficiency. By developing new products.

And by endeavouring to make more of one of our most valuable assets, aluminium.

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Aluminium 3

Imports make strong gains

North America

IAN RODGER

FOR THE U.S. aluminium industry, it is both the best of times and the worst of times. Total shipments of aluminium this year are likely to rise a healthy 9½ per cent to a new record of about 7m tonnes. But almost all of that increase is going to importers who have stormed the U.S. market to take advantage of the high value of the dollar.

Also, despite strong demand, prices in the second half of the year have been very depressed. Partly because of the latest price slump, the restructuring of the U.S. industry is proceeding much more quickly than many observers expected. In the past month, major deals have been announced which would see most of Atlantic Richfield's aluminium activities taken over by Alcan Aluminium of Canada, and Martin Marietta's acquired by Comalco of Australia.

"It is clear that the U.S. aluminium industry is now in the midst of a major transition," Mr Dick Schultz, marketing manager-primary metals, Alcan Aluminium Company of America (Alcoa), said in a startlingly candid speech last month.

He added: "As they emerged from the painful economic recession of 1981 to 1982, U.S. producers came to the realisation that they were less and less able to influence the environment in which they operate."

Mr Schultz and others believe that future growth in the U.S. industry will take place mainly downstream, in fabricating intermediate and end products. Before the 1973 oil crisis, primary smelters in the U.S. had lower cash costs than most in the Western world.

But the price of energy, a major cost factor in aluminium smelting, has risen dramatically in the U.S. and now smelter costs there are at, or slightly below, the average. That would still seem to be a fairly strong position, given the large size of the U.S. market, but many

high-cost smelters outside the U.S. are government supported and so do not necessarily respond to market forces.

The result is that U.S. producers, which have a third of the Western World's primary capacity, have suddenly had to take up the role of swing suppliers. When ingot prices started to tumble last spring, Alcoa, the U.S. industry leader, cut its annual U.S. production rate by 100,000 tonnes, Kaiser Aluminium and Chemical, the second largest producer, made a 42,000 tonne cut at the same time and two other major companies, Reynolds Metals and Martin Marietta, soon followed the trend.

Weak prices

Meanwhile, imports have continued to surge. Even though prices are weak, many foreign producers find it more profitable to sell into the U.S. for dollars than in their home markets. This year, ingot imports into the U.S. are expected to total more than 1.8m tonnes compared with 900,000 tonnes in 1980.

A few very high cost U.S.

smelters have been closed for good in the past three years, and others are expected to follow. And because U.S. energy rates are expected to remain high, there is little hope of any new smelters being built in the next few years. "There is no place in the U.S. where anyone would build a smelter today," an Alcoa official says.

"It appears from today's vantage point that the U.S. will never again produce as much primary aluminium as it did in 1980," Mr Schultz said in his speech.

This situation has already given rise to three new trends. ● U.S. producers are investing heavily in new, low-cost smelters elsewhere. Alcoa has revived its \$650m Portland project in Australia, has just arranged to double the capacity of a smelter in Brazil and is studying the feasibility of building a smelter in Manitoba, Canada.

Reynolds is expanding its smelter in Quebec and Kaiser is conducting a feasibility study for a smelter in Quebec. ● Foreign producers, which already have low-cost smelters in their own countries, are buying aluminium fabricating plants in the U.S. to secure outlets for their metal. Apart from the recent Alcan and Comalco moves, last year Alcanmax, in which Japanese interests have a 47.5 per cent stake, bought the U.S. fabricating plants of Pechiney of France for \$230m.

● The leading U.S. producers are investing heavily in upgrading their own fabricating plants to remain competitive. They are also working hard to build up the recycling system so that they can reduce the average costs of their metal. Secondary smelting consumes only 95 per cent less energy than that used in primary smelting. Recycling is already highly developed, providing about a quarter of U.S. consumption of aluminium.

The most pronounced trend so far, however, has been the sharp increase in imports of fabricated products this year. In the first seven months of the year, they were up 89 per cent over the same period of 1983 to nearly 800,000 tonnes, and it now looks that they will take nearly all of the forecast 9.5 per cent rise in U.S. shipments this year.

U.S. producers agree that the main cause of this surge is the high value of the dollar and the opportunity it offers foreign

producers to improve their revenues per tonne of sales. Europe is the main source of the imports, which are mainly of standard sheet and plate. Japan has been a strong supplier of high-value sheet for making beverage cans.

U.S. producers are certainly unhappy about this invasion of their market, claiming that it plays havoc with pricing, especially in the stockholder market. But they recognise that it is a reversal of the situation in the late 1970s when they could get higher margins by selling their output in Europe.

There is little or no chance that the U.S. aluminium industry will follow the U.S. steel industry in seeking protection from imports. The major producers believe, with considerable justification, that they are the world leaders in light metal technology and that their fabricating plants are internationally competitive.

Also, unlike the U.S. steel companies, they have substantial interests abroad and would be hurt by any disruption to trade.

Uncertain outlook

The immediate outlook for the U.S. aluminium industry is very uncertain. Producers have been reporting continuing strength in orders but are nervous about the course of the economy next year. Also, even if volumes do remain high, low ingot prices and the effects of the high dollar may well continue to depress their financial results.

Kaiser slipped back into a net loss of \$12.5m before extraordinary items in the third quarter after returning to profit in the first half of 1984. The chairman, Mr Cornell C. Maier, said he was optimistic that the aluminium division would become profitable next year, "but we'll need improvement in volume and prices for that to occur."

The medium-term outlook is equally difficult to forecast. Some producers believe that the real cost of aluminium could decline in the next few years, partly because of the impact of low-cost imported metal, partly because of recycling. That would enable them to continue to develop new markets and fight off competition from other materials, such as plastics.

"We see more opportunities here than outside North America," Mr Bill Bourke, president of Reynolds, says.

In search of new markets

REYNOLDS METALS is a special case in the world aluminium industry. It is the only major producer that has a strong national brand consumer product. Reynolds Wrap has over 50 per cent of the huge U.S. market for kitchen aluminium foil.

It would be difficult to exaggerate the importance of this distinction. It gives Reynolds, the second largest U.S. producer, a unique entry into the high margin world of end-products that all aluminium producers covet.

The company claims the highest revenue in the industry per tonne of aluminium sold, and that means, for example, that it can take a slightly more relaxed view of the cost of producing metal than many of its competitors.

For Reynolds, the more important thing is to have a secure and constant supply of metal to convert into the money-spinning Reynolds Wrap and other aluminium-based end-products, such as beverage cans.

"We would like to consume every pound of metal we produce, and produce every pound we consume," Mr David Reynolds, chairman, says.

This is one key to the new strategy that has been emerging from Reynolds headquarters in Richmond, Virginia in the past few months. The company, which has been directed by the Reynolds family since its beginnings in 1919, is going through major changes. Mr Reynolds, who is 69, plans to retire "in a year or so" and two senior executives have been brought in from outside the company.

William O. Bourke, formerly an executive vice-president and director of Ford Motor Company, joined Reynolds in 1981 and became president early last year. Mr Bern Crowl left Alcan, where he was executive vice-president and chief financial officer, last year to take up the same job at Reynolds.

REYNOLDS PROFILE			
	1979	1983	
Revenue (\$m) ...	2,435	3,388	
Net income (loss) (\$m)	177	(99)	
Shareholders' equity (\$m) ...	1,169	1,220	
Aluminium production ('000 tonnes)	994	631	
Aluminium capacity ('000 tonnes)	1,045	942	



Mr David Reynolds, chairman of Reynolds Metals, a strong national brand image

PROFILE

Reynolds
IAN RODGER

To a large extent, the strategy now emerging is not so much a new one but a fresh commitment to what the company has been doing all along, mainly developing new markets for aluminium.

Reynolds has a long, proud tradition in this area. In addition to being a pioneer in aluminium foil, the company introduced the 12-ounce all-aluminium beverage can in 1963 and later developed the recycling programme that made it a competitive and environmental success.

Reynolds has taken a different approach from its competitors to the can market, deciding from an early stage that it would make cans itself, rather than just sell sheet to the established can makers. Mr Reynolds says it was the only way to win the business in the early days because the can makers were reluctant to invest in plant to make the aluminium cans.

"People used to say the aluminium can was coming, but nothing happened. We had to go into it to make it happen." But this brash approach has been costly. Other can makers don't like to buy metal from a competitor, and Alcoa long ago passed Reynolds to become the leading supplier of can sheet.

Reynolds has also developed many other aluminium products, not just in packaging but also for car parts and building products.

Now it wants to do those things in more disciplined and efficient ways, such as taking better advantage of its established name in consumer markets. Two years ago, for example, the company launched a plastic foil wrap on the market, and was pleasantly surprised to find that it was an immediate success. "I don't think the company realised the gem it had in its name," Mr Bourke says.

The company's roots are in packaging, rolling foil for wrapping the cigarette packets of a sister company, and Mr Bourke points out that almost 60 per cent of its sales—and much more of its profits—still come from this market. "Our name could as easily be the Reynolds Packaging Company," he says.

Despite its unique position, Reynolds has suffered along with its competitors in the depressed environment of the early 1980s. It had large pre-tax losses in 1982 and 1983 and has closed a high-cost smelter in Texas and a few old fabricating plants at a cost of nearly \$125m in the past three years.

Today, Reynolds upgrades nearly all the metal it produces. Last year, it earned only 5.8 per cent of its revenue from primary metal sales; Alcoa derived nearly 9 per cent of its revenue from this source.

The company has also been investing heavily in improving its main fabricating plants, notably a \$125m modernisation of its sheet and plate plant in Illinois completed last year. The combined effect of all these projects and closures has put some pressure on the balance sheet. Net borrowings at June 30, 1984 amounted to \$1.25bn, roughly 90 per cent of shareholders' equity. Mr Crowl says the bulk of the capital spending programme has been completed and debt should be below 80 per cent of shareholders' equity "within the next couple of years."

Despite the latest slump in aluminium prices, Mr Reynolds disagrees with those who claim that aluminium has become a low growth metal. "There are enough good things we haven't done to keep us going. I believe people have got fat and happy in the last eight or ten years and forgotten how to sell."

At the top of profits league

CONTINUED FROM
PREVIOUS PAGE

Alumax has also been expanding its production facilities in both primary aluminium production and in semi-fabricated goods. The company has a 25 per cent interest in a 225,000 tonne smelter that is under construction in Quebec and is building a sheet metal plant in Texas.

Alumax is still in an expansive mood according to Mr Marcus. While he does not anticipate any major acquisitions in the near future, he says that Alumax will continue to expand its current facilities and to make "small" acquisitions to round out our product line.

Mr Marcus, 57, is the protégé of Ian Macgregor, former president of Alcan and now chairman of the Coal Board in Britain. Mr Marcus runs Alumax as a highly decentralised company. Each of the 105 plants is "run very much as private enterprises—each is an individual profit centre," he explains.

While day-to-day decisions are

handled by individual operations managers with little or no direction from Alumax headquarters, "we control the pocket book," he says.

It is going to be a real challenge to retain the entrepreneurial spirit that is evident at Alumax as the company continues to grow, Mr Marcus concedes. "We have to sustain that feeling. We have got to be careful that our bigness does not overpower our operating units. We have to ensure that they still feel quite independent."

The toughest decisions are, however, made at corporate level. Last month Alumax cut ingot production by about 40,000 tons. "You have to be very sensitive to inventory levels and the marketplace," he explains. With current prices considerably lower than the cost of production, it is "judicious to take a modest cutback."

The recent market downturn is "self-inflicted" by U.S. producers, Mr Marcus charges. "Demand was pretty good, but then prices went up too fast. The industry brought back all its closed production capacity

at one time. If it had been done gradually, with moderation, most of it (the price decline) would not have happened."

If the market improvement continues for over a year there will be a balance between supply and demand, Mr Marcus predicts. Current cutbacks in production could help to bring that balance closer. "But I'm no seer."

Others might argue that he is. During the 1981-82 recession Alumax seemed to have advantages of a crystal ball. The company called the market exactly right, depleting inventories to only two weeks' supply before the recession began and then building up inventories until prices began to rise.

Throughout, Alumax refused to lower its price below 49c, while the market price fell to 44c. The "big gamble" paid off. Alumax reported a \$82m operating profit in 1982, while its three major competitors—Alcoa, Reynolds and Kaiser—reported combined pre-tax operating losses of \$260m. "That was our finest hour," Mr Marcus says.

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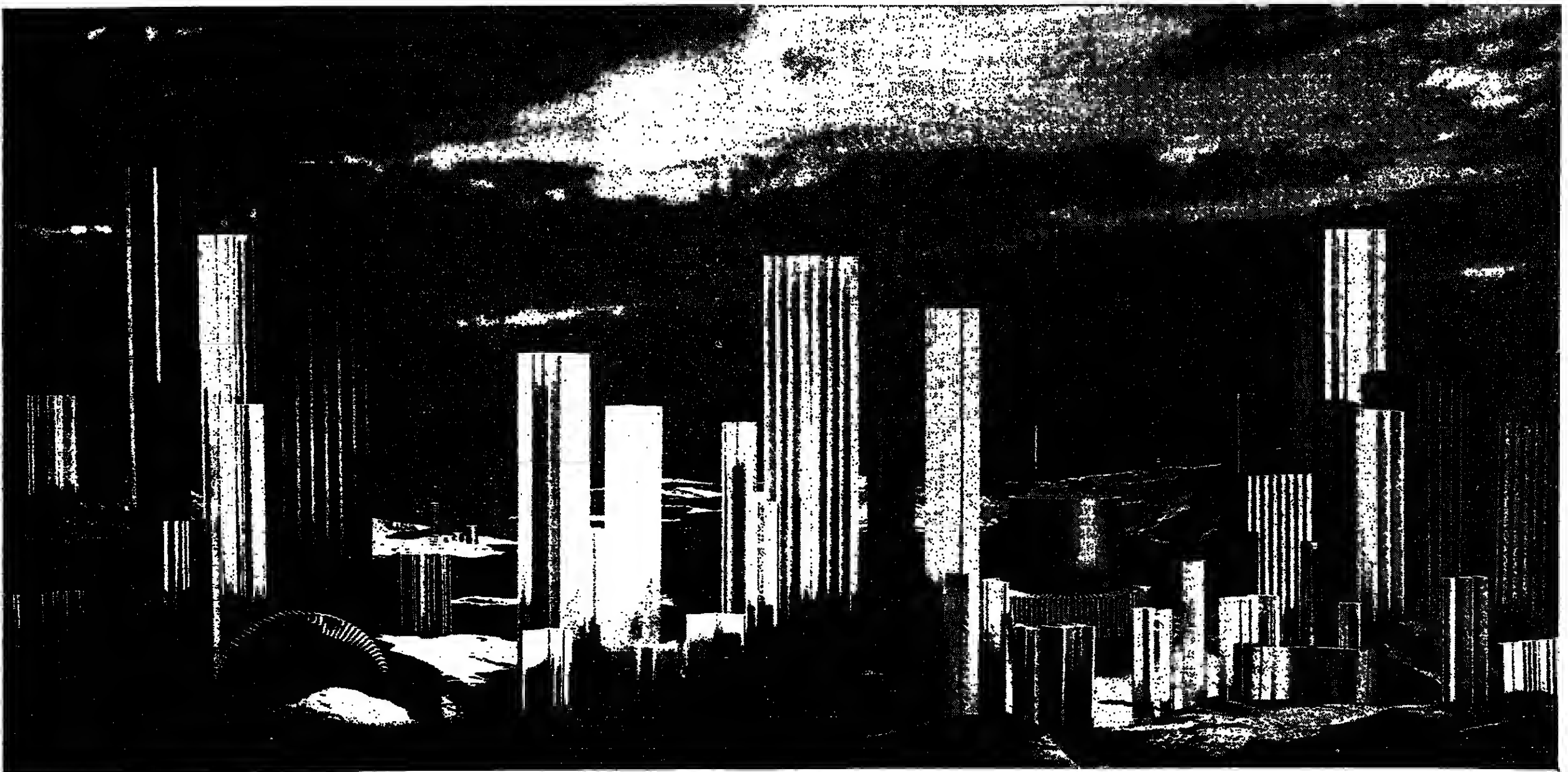
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Aluminium 4

A roll again for profits

UK

IAN RODGER

BRITAIN'S ALUMINIUM industry is in much better health than most people would have expected two years ago.

Primary production reached 25,700 tonnes last March, the highest monthly rate since 1981 when British Aluminium closed its 100,000 tonne per year smelter at Invergordon in Scotland. In 1990, primary output averaged 31,200 tonnes a month.

Perhaps more important, shipments of semi-finished aluminium should come close this year to the 420,000 tonne peak reached in 1979, showing the resilience of the fabricating sector. Indeed, this sector is looking stronger than it has done for many years.

British Alcan Aluminium, the new company formed when Alcan Aluminium (UK) took over British Aluminium in late 1982 and now the only integrated producer in the country, is making handsome profits. Two predecessor companies had combined losses of £86.5m in the two years 1981-1982. But British Alcan reported an operating profit of £38.1m in the first half of 1994, nearly as much as the Alcan UK and Baco combined made in the whole of 1979.

The company has gone through a major rationalisation programme, closing a number of works, reorganising operations and reducing manpower from 13,000 to 10,000.

The main changes have been in the rolling sector. Hot rolling has been concentrated at Rogerstone in South Wales along with cold rolling of foil stock, lithographic sheet and closure sheet. Meanwhile, at Falkirk in Scotland, the hot mill has been closed and the cold mill dedicated to making sheet for building and aerospace products.

Mr George Russell, managing director of British Alcan, says the rolling division has been at break-even for the past six months. Two years ago, Rogerstone alone was losing £2m a month.

The extrusion division has been concentrated mainly on one site at Banbury but split into six operating companies in order to be more responsive to market conditions.

Elsewhere in industry, the same pattern of recovery can be seen. Alcoa of Great Britain's sheet mill in South Wales was almost closed in 1990 because of heavy losses. Instead, its product line was streamlined and it is on the way to making its first profit this year since 1977. Alcoa claims that this plant supplies sheet for over half the beverage cans and pull-tabs in Europe.

The foil plant of Aluminise in the West Midlands is another recovery case. "The productivity has increased tremendously," Mr Emmanuel Meyer, chairman of Aluminise said recently.

In the stockholding sector, Almar, whose shares were floated on the London stock market last July, has built up its share from 12 per cent in 1979 to 17 per cent this year. It now claims to be among the top three stockholders in Britain and the largest independent.

The group suffered a loss of £805,000 in 1991, but this year it is forecasting a pre-tax profit of £5.4m.

The one major setback for the industry was the failure of an attempt by Alcoa a few years ago to promote the use of aluminium in beverage cans and to establish a recycling campaign to go with it. Unfortunately for Alcoa, it proved difficult to beat the British Steel Corporation's tinplate division, and the Cash-A-Can recycling programme never really got established.

Last year, Alcoa stopped manufacturing can body sheet in South Wales and abandoned the Cash-A-Can programme.

For most aluminium product makers and distributors, 1993 and the first half of this year have been very satisfactory. However, since mid-year, they have been hit by a number of unusual factors that have taken the sparkle out of the market.

Electricity

Production at British Alcan's smelter at Port William, for example, had to be cut back in September by 12 per cent because of a shortage of rainfall in the Scottish highlands during the summer. More serious, the company has shut down the coal-fired power stations that serve its smelter at Lynemouth in Northumbria because stocks have run down to the coal crisis.

For the moment, the company is continuing to operate the smelter, buying electricity from the Central Electricity Generating Board.

Mr Russell acknowledged that these two problems would reduce British Alcan's profit

ability in the second half.

In the main fabricating sectors, prices are said to have held up reasonably well in sterling terms despite the sharp decline in input prices. Volumes have remained reasonably steady, but the pattern of ordering has become disappointingly erratic.

"It has been a fairly volatile year," said Mr Brian Turner, managing director of Indalex, the Rio Tinto-Zinc subsidiary that is a leading extrusion maker.

Opinions vary on the outlook for next year, but no one expects a large movement either up or down. So, as elsewhere, aluminium suppliers in Britain are trying to get back to the business of promoting new uses for their metal as a way of stimulating the growth of consumption.

The extrusion sector, for example, has just launched a major promotion campaign to encourage engineers and industrial designers to think of the unique characteristics of their process.

"The process makes possible the production of almost any profile or section tailored precisely to its function to reduce subsequent machining and assembly costs," Mr Richard Cowdell, chairman of the Aluminium Extruders Association, says.

One good example of innovation with extrusions is a new radiator for home heating developed recently by British Alcan. Because of aluminium's excellent heat transmission properties, an aluminium radiator can be much smaller than a steel one required to yield a similar amount of heat.

A rich mixture cooking away

Brazil

ANDREW WHITLEY

BRAZIL HAS all the basic ingredients to be one of the world's leading aluminium producers by the end of the century: a super-abundance of bauxite, low energy costs and a potentially large domestic market.

Proven bauxite reserves stand today at 3.3bn tonnes, 14 per cent of the global figure. However, annual national output of 5m tonnes amounts to less than 7 per cent of current world production—a clear indicator of the scope for growth.

The proven reserves figure ranks Brazil third in the world, after New Guinea and Australia, but new finds are being made all the time, especially in the Amazon region, and these are likely soon to push Brazil up into second place.

As for electricity, the potential hydro-electric power available is equally enormous. The only problem is that most of the more prolific rivers are in remote parts of the Amazon, requiring heavy investments to tap their power and transmit it to users.

A key to the recent development of an export-orientated aluminium industry in northern Brazil has been the Tucuruí dam on the Tocantins river, south-west of Belém. With an eventual installed capacity of 8,000 MW, Tucuruí will be officially inaugurated next month.

Tucuruí is the major power source for the newly-completed Alcoa/Shell aluminium complex at São Luis, on Brazil's northern coast. And it will be the exclusive supplier of electricity to the giant alumina and aluminium plants being built by a Japanese consortium near Belém.

Plans shelved

Other HEP dams are planned for the upper reaches of the Tocantins and its tributary the Araguaia, as well as on rivers in the west and north-west of the country. Many of these plans were shelved with the slowdown in the domestic economy after 1981, which coincided with Brazil's foreign debt crisis. But they could be revived at short notice, provided the investment capital could be found.

Reliable, long-term customers would be less of a problem to find depending on the federal government's energy pricing policies. At present, the average tariff charged to the aluminium industry is 15 mills (1.5 U.S. cents) per kilowatt hour, varying according to region and ownership of the plant.

The Alumar plant, owned by Alcoa and Biliton, the Shell subsidiary, benefits for example, from an electricity pricing formula linked to the prevailing world price for aluminium ingots. Alumar gets 15 per cent off the basic electricity grid tariff for being in a development region, with a ceiling set at 20 per cent of the ingot price. Albras/Alunorte, the Belém plants being built by the Japanese in association with Companhia Vale do Rio Doce, the state-controlled Brazilian mining company, are believed to have got an even better deal because of the government's stake in the project.

On the other hand, Biliton complains that costs are comparatively high at its new aluminium smelter near Rio de Janeiro, despite the fact that this is another joint venture with CVRD.

Valesul, the Biliton/CVRD

plant, which has a present capacity of 80,000 tonnes a year, barely breaks even on a cash operating basis. Alumar, inaugurated in August, does rather better, but, to improve its economics, a second pot line is now being installed, raising primary aluminium capacity to 230,000 tonnes.

In world terms, Brazil's electricity charges are reasonably good. They are on a par with Indonesia, for example, but they are well above the rates prevailing in Canada and more expensive than those in neighbouring Venezuela, a rival producer.

Unlike Brazil, in Venezuela most aluminium making capacity is in government hands. As Ron Richard of Alcan says: "They don't care if they produce a reasonable rate of return. They can always sell the aluminium, no matter what the world price, and keep the jobs."

By contrast, until CVRD's entry into the market in 1982, through the Valesul plant, the processing side of the business in Brazil had been entirely in the hands of private companies.

Alcan was first, in 1951, followed by CBA, part of Votaram, the giant Brazilian industrial group. Alcan then followed its Canadian rival into Brazil, with Biliton and CVRD as the newcomers.

Reynolds, after having been repelled by the government in the mid-1970s, is today in active negotiation with CVRD on increasing its tiny stake in Valesul. The U.S. company is also reportedly planning to establish an aluminium smeltering line, Brazil's first.

V.A.W., the German state-owned company, has for years

been considering a 230,000-tonne aluminium smelter at Recife, at a cost of US\$31m. The Japanese have, characteristically, been taking a cautious approach to their own enormous investment in the Belém plants. Budgeted at US\$2.5bn, these will eventually produce 800,000 tonnes of alumina and 320,000 tonnes of aluminium ingots.

Partners in the Nippon Aluminium Company are 31 Japanese companies, including five producers, ten consumers, ten trading houses and a bank. Together they hold a 49 per cent interest in Albras, the aluminium plant, and 40 per cent in Alunorte, which will produce the alumina.

Against continual pressure from CVRD to keep to the original schedule, the time table on these plants was drastically slowed down. Albras will bring its first line on stream in the second half of 1995, but Alunorte has been put back to 1998—meaning that the smelter will be on the market for up to 320,000 tonnes of alumina a year for two to three years.

Where this will come from is still uncertain, although neighbouring Surinam is a strong possibility. Until alumina came on line this year Brazil had been a net importer of alumina, much of it coming from Surinam.

Alumar, because of its coastal position, is also the first domestic customer for Brazil's biggest bauxite mine, at Trombetas on the north bank of the Amazon. Trombetas, operated by a consortium led by CVRD, Alcan and Shell, is

likely to produce 4.3m tonnes this year.

The domestic aluminium industry is well established in southern Brazil, in Minas Gerais and São Paulo states, but a major reason why consumption has not grown as fast as it could have done has been the absence of the all aluminium can.

Venezuela's aluminium usage, equivalent to four kilograms per head, is 15 times that of Brazil, and the state is responsible for a big part of that difference. Whether or not it takes off in Brazil, which has a population of nearly 130m and a huge beverages market, is a question that all the major aluminium producers would like to be able to answer. It could transform their present export-orientated strategies.

Faced with a domestic market which this year is expected to sink back to 1978 levels, of around 270,000 tonnes, exports have become the salvation of the industry. Alcan, Alcoa and Valesul are mostly responsible for CBA continuing itself to its traditional domestic market.

Between 1982 and 1993 Alcoa's exports leapt from US\$4.5m to US\$50.3m. Alcan's figures went from US\$17m to US\$63m, with the Canadian company selling everything from windows to Saudi Arabia to pressure cookers to the US.

The trend is undoubtedly moving fast towards downstream products, which produce a more reliable return than selling ingots, but the extent to which aluminium producers in Brazil should be committing themselves to export markets, at the expense of their home base, is currently giving them all much food for thought.

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Off on a trail of reorganisation

Europe
IAN RODGER

EUROPE'S aluminium producers have at long last accepted the spirit of restructuring.

There have been major reorganisations in France and Spain in the past year, capacity closures in most countries, and indications of more upheaval still to come.

Until recently, European producers had been remarkably slow in reacting to their significant competitive disadvantage in the aluminium smelting sector: the lack of low-cost electricity in most countries, except Norway.

However, most companies took huge financial losses in the 1980-82 recession rather than face the need to restructure. Analysts attributed this preference to the fact that most of the aluminium producers in Norway, West Germany, France, Italy and Spain are owned by governments which did not want to destroy jobs.

They probably hoped that, as in the past, losses could be recouped when the notoriously volatile aluminium industry recovered.

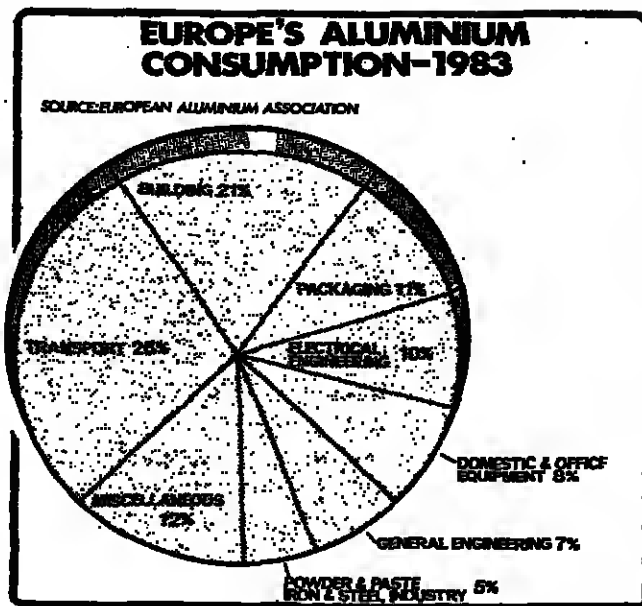
Shortlived

Unfortunately, the recovery, when it came late last year, was surprisingly weak and short-lived, leading to a recognition that Europe's producers might never recover their losses.

Signor Giuseppe Callioli, chief executive of Aluminio Italia, expressed that recognition at a European Aluminium Association meeting in June when he predicted that no new greenfield smelter would be built in a European country, with the possible exception of Norway, in the foreseeable future. He also predicted there would be more smelter closures in Europe.

France's state-owned Pechiney, the largest producer in Europe, went through a major reorganisation last year, disposing of marginal businesses, closing four of its 11 smelters in France, and reducing its interest in a Spanish company from 67 per cent to 37 per cent.

These and other moves enabled the company to make an operating profit in 1983 for the



first time in three years. This year, the company has maintained its market-responsive stance, announcing in July that it would cut its European annual production rate by 70,000 tonnes because of weak demand and prices.

In Spain, the aluminium industry has been in a state of confusion since October, 1982, when Aluminio Espanol went into receivership because its two owners, the Spanish government and Pechiney, could not agree on restructuring. A deal was finally worked out last September under which Pechiney could not agree on restructuring. A deal was finally worked out last September under which Pechiney's stake was reduced.

Meanwhile, Alcan Aluminium of Canada, raised its minority stake in another Spanish government-controlled producer, Endasa. Now the two companies are about to be merged.

As in France, production cutbacks have occurred, with one 14,000-tonne smelter closed and another partially closed. Also, the Spanish Government launched a fresh drive early this month to reduce overmanning in state-owned industrial companies.

Elsewhere in Europe, most producers have been cutting production or at least signalling that they will make cuts. Alu-

minio of Switzerland, the second largest producer in Europe, said a few weeks ago that it was considering a 10 per cent cut in overall output. It has smelters in Switzerland, West Germany, Austria, Norway and Iceland, and a 50 per cent stake in an Indian producer.

VAW, the state owned West German producer, is closing permanently its Lippewerk Lünen smelter in the fourth quarter. The smelter is one of the oldest in the country and has a capacity of only 15,000 tonnes. In response to market pressure, VAW has also cut production at its Inn smelter by 14,000 tonnes, and another at Lippe by 15,000 tonnes.

Future role

Aluminio Italia, another state-owned company, cut production in August at its Bolzano and Porto Vesme smelters by 18,000 tonnes, and then cut Bolzano again this month by another 15,000 tonnes. SAVA, the company jointly owned by the Government and Alusuisse, has yet to make a move, but Mr Emmanuel Meyer, chairman of Alusuisse, said again in April that his company's future role in the venture was still in question.

Britain's aluminium industry led the restructuring trend in

1981 when the British Aluminium smelter at Invergordon in Scotland was closed. A year later, Alcan Aluminium UK and BA, both of which were suffering huge losses, merged. The new company, British Alcan Aluminium, which is wholly owned by Alcan, closed a number of fabricating plants and is now highly profitable.

It is far from clear how much more primary capacity in Europe will be closed, either temporarily or permanently. Like producers everywhere, Europeans have been taken by surprise by the rapid turnaround in primary prices this year. For most of them, business in the first half was very good and the trend, until June clearly upward.

Even in June, most producers were saying that market weakness was due mainly to the approach of summer holidays. In fact, the figures now show that European markets have remained weak throughout the year, and that most of the upturn producers noticed in the first half was due to the strength of exports, particularly the attractive U.S. market.

The European Aluminium Association has just reported that primary production in the 13 European countries which it represents was up 9.6 per cent in the first half to 1.78m tonnes and capacity was almost fully utilised. Output of secondary smelters was up 5.4 per cent in the first half. No figure is available for the comparable period, but output in the full year 1983, was 1.1m tonnes.

However, production of semi-finished aluminium sheet, plate, wire rod and extrusion billet was up only 3 per cent in the first half to 1.93m tonnes, and Dr Lenore Ernst, secretary general of the EAA, said that growth was probably entirely attributable to exports.

Dr Ernst said the West German and Scandinavian markets were showing some growth, but France, Spain and Italy remained very weak.

One reason for the slow growth is that aluminium usage is still relatively low in Europe, 13 kg per capita, less than half the figure for the U.S. Also, it is concentrated in mature markets, such as window frames, truck trailers and foil packaging.

European aluminium producers are encouraged about figures like these, especially those showing the failure of

the aluminium beverage can in Europe. In the U.S., 92 per cent of beverage cans are made of aluminium, in Europe less than 3 per cent.

Aluminium industry representatives attribute this situation in large part to the fact that the steel industry in Europe has considerable government support. They still believe that aluminium will one day displace tinplate, and if it happens soon it could provide handsome growth for the producers.

One producer recently estimated that the amount of aluminium can sheet required in Europe might rise by over 200,000 tonnes by 1992.

To create some new growth in demand for their metal in applications like this, European producers are launching a publicity campaign. Time will show how effective this attempt will be.

World primary aluminum industry production

('000s metric tonnes)				('000s metric tonnes)			
Country	1983	1982	1973	Country	1983	1982	1973
NORTH AMERICA	4,484	4,380	5,090	OCEANIA	712	548	323
Canada	1,091	1,065	942	Australia	475	381	207
U.S.	3,393	3,315	4,148	New Zealand	237	167	116
Mexico	40	41	39	EUROPE	5,913	5,880	4,676
SOUTH AMERICA	932	766	536	Common Market	1,912	2,009	1,651
Argentina	138	138	—	France	361	330	359
Brazil	401	289	112	Germany, West	730	723	533
Suriname	50	60	52	Greece	140	135	144
Venezuela	245	269	24	Italy	196	270	184
ASIA	1,331	1,394	1,604	Netherlands	236	251	190
Bahrain	171	171	103	United Kingdom	349	240	231
China—Mainland	281	372	150	European Free Trade Association	1,047	862	949
China—Taiwan	—	10	35	Austria	94	94	89
India	204	217	154	Iceland	78	77	72
Indonesia	115	21	—	Norway	716	637	621
Iran	36	36	34	Sweden	83	79	82
Japan	256	351	1,097	Switzerland	76	75	85
North Korea	10	10	—	Other	2,954	2,909	2,066
South Korea	13	15	31	Czechoslovakia	34	34	48
Turkey	29	36	—	Germany, East	60	56	52
United Arab Emirates	115	145	—	Hungary	74	74	68
AFRICA	292	459	248	Poland	42	43	102
Cameroon	26	27	44	Romania	107	268	142
Egypt	150	141	44	Spain	257	367	162
Ghana	42	174	151	USSR	1,998	1,876	1,361
South Africa	163	107	53	Yugoslavia	284	247	91
WORLD TOTAL	13,764	13,427	12,129				

* Includes secondary

Source: Aluminium Association (U.S.)

Nationalisation proves a tonic

PROFILE

Pechiney
PAUL BETTS

M. GEORGES BESSE, chairman of Pechiney since the large French aluminium group was nationalised by the Socialist Government, likes to remind people of the old French saying that what is good for Pechiney is also good for France.

Certainly, nationalisation has so far proved a tonic for Pechiney. The French aluminium group was able to shed its heavy loss-making chemical businesses, which were largely taken over by the Elf Aquitaine oil group, and launch a restructuring programme which has now borne its first fruit.

With some FFfr 4.3bn (\$595m) in financial support from its new sole shareholder, the French Government, during the last two years to back its restructuring efforts, Pechiney has returned into the black. After reporting a huge FFfr 2.3bn loss in 1982 and reducing it

to FFfr 462m last year, Pechiney has recently announced net earnings of FFfr 367.5m for the first half of this year.

The profits reflect the general turnaround in the aluminium sector last year which, however, has now been followed by a particularly sudden collapse of the market. This is likely to be translated in lower second-half earnings this year for Pechiney.

But the return to profit also reflects in large measure the restructuring programme which M. Besse has conducted.

M. Besse's strategy is essentially based on transforming Pechiney's traditional aluminium operations into a cost-effective and competitive business at the same time as developing the group's activities in new technological and high performing metals and metal fabrication sectors.

In France, Pechiney is investing FFfr 900m to reconstruct the Saint-Jean de Marnette aluminium plant which will eventually have 120,000 tonnes a year of modern efficient capacity. It envisages later at some unspecified stage some FFfr 3.4bn of additional investments largely designed to reconstruct the

Nogueres plant in south-western France into a 175,000-180,000 tonne facility.

Facilities shrink

When completed, Pechiney will see its French production facilities shrink from six plants to two large modern facilities and perhaps a third plant.

M. Besse pulled off a coup by negotiating with Electricite de France (EdF), the French electricity utility, supplies of low cost electricity totalling 2bn Kwh. This was done by EdF agreeing to sell Pechiney a stake in an unspecified French nuclear power plant. M. Besse is now trying to negotiate a similar agreement for another 2 Kwh.

But other French industrial groups, among them the Elf Aquitaine oil group, have since sought to negotiate similar deals with EdF. Under the circumstances, EdF has been dragging its feet in the current negotiations with Pechiney because it is worried about the impact another deal could have on the general principles of electricity pricing in France.

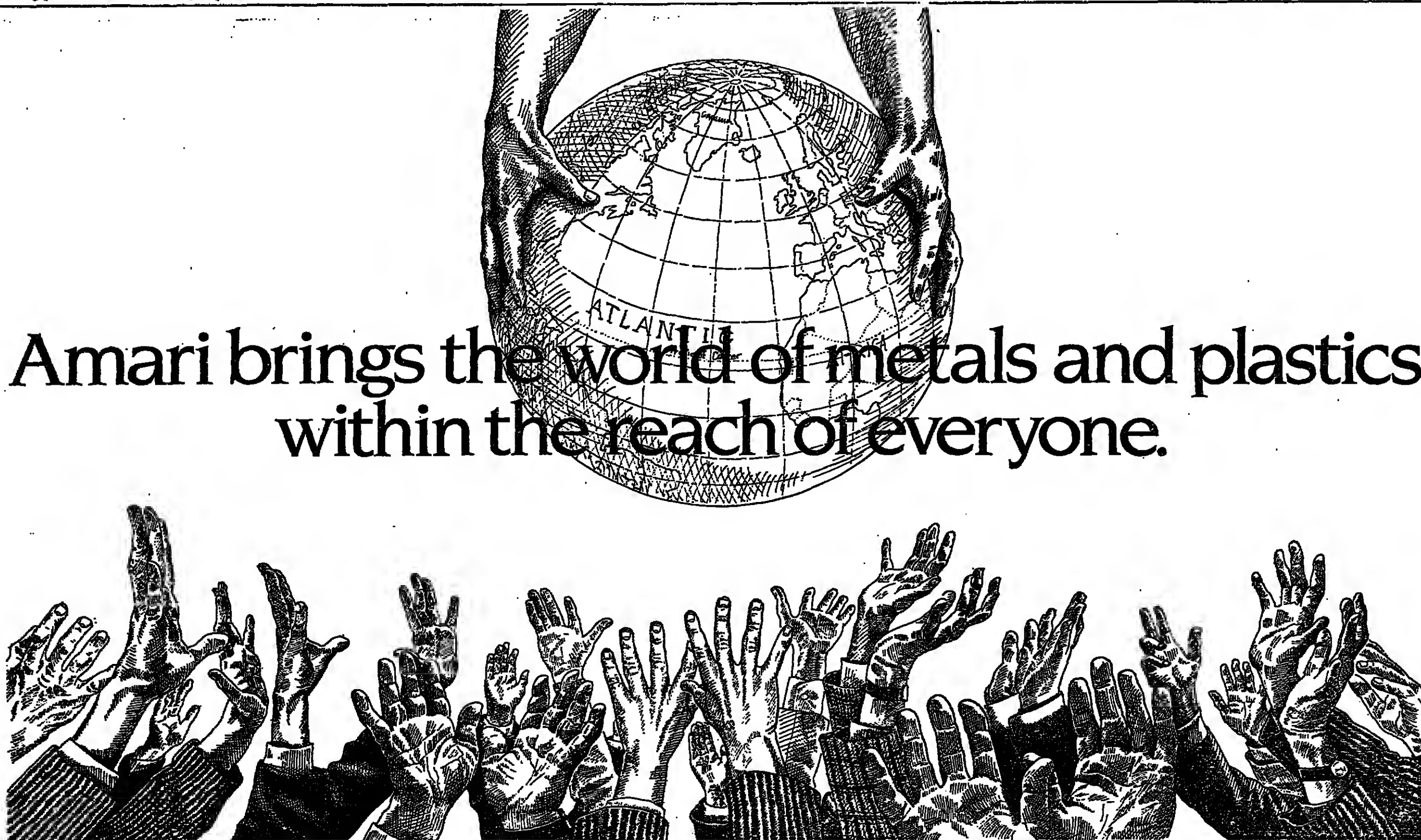
In his quest for low electricity supplies and modern

facilities, M. Besse also engineered a major redeployment of Pechiney's North American assets. He sold Pechiney's aluminium interests to Alumar for US\$230m and shifted his North American aluminium operations to Canada.

Pechiney had been offered attractive electricity pricing terms by Quebec to build and operate a smelter at Becancour on the St Lawrence River.

Although Pechiney has made a remarkable recovery in the last two years, M. Besse appears preoccupied about the future. Pechiney, with its large operations in France and Cameroon (the so-called French franc zone), has benefited from the dramatic rise of the U.S. dollar against the franc. This has helped to offset some of the impact of the recent aluminium price and demand slump.

Like every other major producer, Pechiney has also had to cut back 70,000 tonnes of European production this summer in the face of the market decline. And M. Besse believes there is still another 500,000 tonnes of excess capacity in the market.



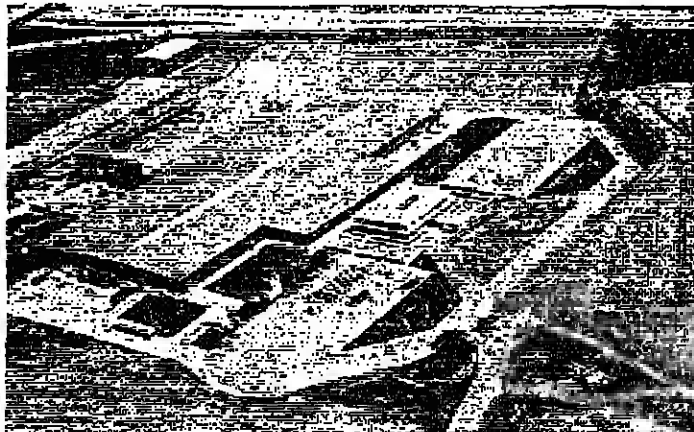
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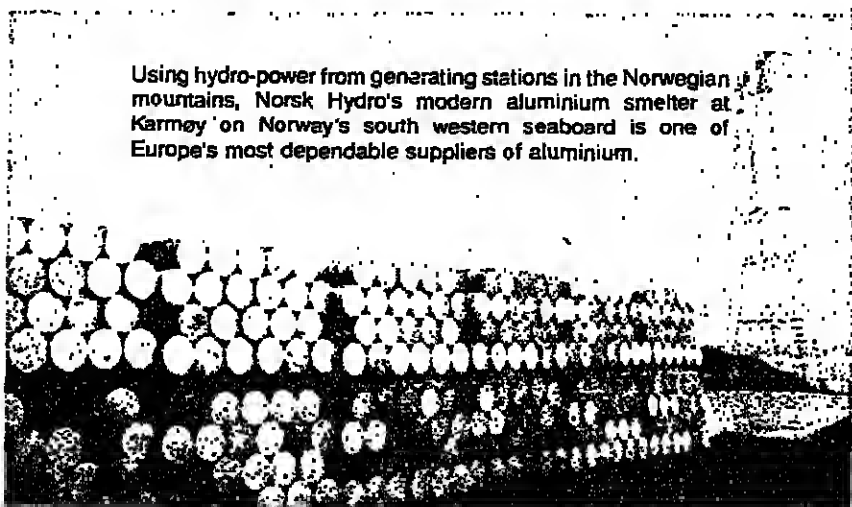
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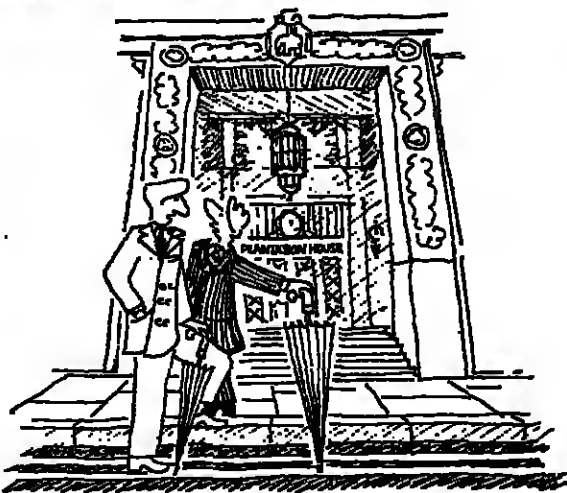
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Aluminium 6

Pricing structure radically changed

Futures

JOHN EDWARDS

THE SHARP decline in aluminium prices during the past year, after the boom in 1983, undermined the powerful influence being exerted these days by the futures markets. There was a relatively minor change in the metal's fundamental supply-demand situation, yet prices came down in spectacular fashion.

As the producers warned when bitterly opposing the launch of the London Metal Exchange aluminium futures contract in 1978, the whole pricing structure for ingots has radically changed, with far greater volatility and uncertainty being introduced.

The traditional system, under which the big producers sold at known fixed prices that only occasionally changed, has been undermined by the futures markets offering alternative daily quotations, reflecting more quickly the trends not only in the aluminium industry but also external economic and political influences that might affect the industry too.

Exchange rates

It is a different game that producers have been forced reluctantly to learn to play. After some resistance they have accepted that futures markets are here to stay, whether liked or not, and are starting to adjust accordingly even while maintaining the semblance of the producer price system for the time being at least.

The entry of many new producers into the industry, some of whom are more concerned with earning foreign exchange than profits, has already made it difficult to sustain a fixed international world producer price, so have the fluctuations in exchange rates.

As a result the futures market have come to be accepted as a pricing media, which builds in all the possible influences affecting values, not just the cost of production or the immediate supply-demand situation.

Mr Richard Schultz, primary metals marketing manager for Alcoa, speaking at the Metal Bulletin's international aluminium conference in Munich in September, noted that producers were trying to adjust to a world where, in the short term, the costs of production have little relation to the price at which the ingot is sold.

Expectations, whether realised or not, tended to dominate futures prices. The LME quotations were an indicator of what people think will happen in three months time, rather than what is actually happening at the moment.

Anticipatory pricing, totally unrelated to cost, was nothing new for copper producers, Mr Schultz said. However, for the



The London Metals Exchange market in futures exerts a powerful influence.

aluminium industry it has become a dramatically different way of life. The activity of metal merchants and the role of the LME in determining prices had strained the historical relationship between ingot producers and consumers.

Producers have been unwilling to move prices up and down with every variation on the LME. Consumers, however, had mostly succumbed to the temptations (cheaper prices) offered by metal merchants.

Mr Schultz commented that sellers of ingots nowadays used the LME quotations as a basis for selling their ingots throughout the Western world. Mr Schultz forecast that U.S. producers will eventually recognise both the legitimacy of the LME as an important determinant of ingot prices. Quite an admission from one of the leading producers, who greeted the introduction of aluminium futures trading with suspicion and contempt.

There are numerous other signs that producers and consumers have accepted futures as a basis for realistic pricing, in spite of constant criticism that the futures markets are distorted by excessive speculation.

Kaiser Aluminum, in a recent deal with the Ghana Government used LME quotations in the terms of the contract, while the Japanese recently put pressure on Venezuela to replace the Alcan producer price used in the original contract with LME quotations to provide a better indicator of the state of the market.

Many producers, and consumers, now freely use the futures markets for hedging, fixing forward prices, and on occasions even speculation. This year, with falling values, turnover on the London Metal Exchange aluminium contract has declined slightly with outside speculators, losing interest after the heavy performance of the market in 1983.

Selling by speculators, taking profits when the 1983 boom ran out of steam towards the end of the year, has undoubtedly accelerated and exaggerated the

price decline, just as speculation also helped push prices excessively high last year.

Nevertheless, the Metal Exchange is more than satisfied with the success of the aluminium contract, which is now second only to the long-established copper market. Indeed, there is some surprise that aluminium has received such universal acceptance in such a short time, especially as the contract was started in the teeth of bitter opposition from producers and many other sectors of the industry.

There is also considerable private satisfaction in London that the challenge from the New York aluminium futures contract, launched by the Commodity Exchange (Comex) last December, has so far posed little threat.

When Comex announced plans to introduce the new contract, encouraged by the success of the London market, it was widely anticipated that New York would be a smash hit success and emerge as the dominant centre. There is after all a lot more "local" speculators on Comex to provide extra liquidity and aluminium production is largely centred in North America.

Inducements

In the event, the performance of the Comex contract has been extremely disappointing. In spite of several inducements to generate business, turnover has remained poor, warehouse stocks have been slow to build up, and for the moment at least Comex is very much the junior partner to the London Metal Exchange.

There are several possible explanations for the failure of the Comex market to live up to the optimistic expectations for success. The most important is probably timing. By bad luck Comex launched its contract just when prices were going into a decline.

Speculators, in particular, do not like "bear" markets and lost interest—a crucial blow to Comex, which relies on a large speculative element to provide

liquidity since it does not have the links with trade and industry so valued by the LME. In contrast, the London market was started just at a time when the producer price system in aluminium was coming under increasing pressure from the free market competition provided by merchants. The LME market tied in neatly with the growing importance of the free market in aluminium.

However, North America has been much slower to respond to the changes in international trading patterns, and New York is more concerned with the domestic industry, which has been reluctant to accept futures prices in the same way as international traders. The LME is essentially an international market.

Indeed, Comex tailored the contract essentially to meet the requirements of the domestic U.S. market and this has tended to make it more difficult to use for the international traders, who provide the bulk of futures business. Restrictions on imports from certain Communist bloc countries into the

U.S., with variable duties, also makes it difficult for Comex to act as an international market. If some ingots are unacceptable or have a price differential.

Differentials

The LME has a "black box" arrangement which enables it to deal freely in any metals; the problems and price differentials only become effective when stocks are drawn out of the warehouses. Fearful that the opposition from producers would mean the market being starved of supplies, and unable to operate effectively, the LME chose to base its contract on the lowest common denominator in quality terms, which means that virtually all grades can be delivered on to the market while price differentials are set for higher quality grades.

There is a sub-market in deciding the differentials between various quality grades. Comex, on the other hand, decided to base its contract on a higher-quality specification and this has tended to restrict supplies available for delivery into the New York warehouses.

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Seeking a cushion against volatility

THE MOST controversial issue in the aluminium industry today is the metal's price.

This is hardly surprising, considering that on a given day this month, you could have chosen the Alcan world price of \$1,750 per tonne at one extreme or the London Metal Exchange price of \$1,020 per tonne at the other, with lots of alternatives in between.

However, the Alcan world price, which has not changed since October 1980, has become less and less important in the real world and Alcan itself said last month that it no longer endorses the price. Meanwhile, the LME price, which is highly volatile, is now a major influence on most transactions.

This means that aluminium consumers are having to contend with a new problem in running their businesses: how to cushion themselves from the effects of this volatility.

The most important attempt to address this issue so far has come from Pechiney, which has developed a formula for flattening out the peaks and valleys of market prices. But the so-called PIP (Pechiney Independent Price) is itself controversial.

PIP has been adopted by 18 of the company's substantial independent customers around the world and is now gaining some acceptance as a market indicator. Metal Bulletin publishes it twice a month and the U.S. publication, American Metals Markets, is considering publishing it.

The formula offers the PIP customer the opportunity to pay the equivalent of the average price paid for all Pechiney's independent customers. But in order to prevent the PIP from becoming a mere reflection of itself, only a quarter of any customer's total purchases from Pechiney can be made under the plan. The rest have to be negotiated on a regular basis.

The formula is updated at the end of each quarter, by an independent auditor who has access to all Pechiney transactions for the period. However, this does not mean that

the customer pays for his PIP aluminium three months in arrears. In fact, Pechiney makes an estimate of the new PIP just before the beginning of each quarter, and bills customers accordingly. Later, when the definitive rate is calculated, a refund or further charge is made.

Thus, the formula not only flattens out slightly the peaks and troughs of the aluminium price cycle, it also delays slightly the impact of price changes.

Critics say the system's main weakness is that the imposition of a 3 to 5 per cent extra charge at the end of a quarterly period could be enough to wipe out a small fabricator's profit margin on sales already made.

Pechiney says the problem should not be that great because the formula would apply to only a quarter of the fabricator's metal purchases, at most. Also, a PIP user would notice the movement of prices on the spot market and so would be warned of the likely shape of the next adjustment.

Another potential weakness is that the formula is based on transactions made in a variety of currencies—45 per cent are in French francs, for example—and a sudden large movement in that currency would distort the result.

Pechiney requires that any customer signing up for PIP do so for at least three years so that he will live through both the good and bad parts of the aluminium price cycle.

Metal Bulletin, which prides itself on the accuracy of its metal prices (some are used as bases for long-term contracts between buyers and sellers of metals), is not entirely happy with PIP or any of the other available aluminium prices, and so has just decided to start publishing three dollar-based LME averages for aluminium.

Others believe that the best solution would be for aluminium producers and consumers to learn to use the LME to hedge their purchases.

Ian Rodger

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Aluminium 7

Weight-saving breakthrough

New applications
LYNTON McLEAN

AEROSPACE COMPANIES are studying with growing interest a remarkable new aluminium alloy called aluminium lithium. It is claimed by the aluminium company producers to be lighter and stronger than conventional aluminium alloys used for aerospace applications, but as easy to use.

The claims are such that, if they are realised in practice, the alloy could revolutionise aircraft design and construction.

In a bid to cut aircraft operating costs, especially through improved fuel efficiency, attention has switched to structural weight. Composite materials such as carbon fibre have been developed and applied successfully to aircraft components, to cut their weight.

In response to the possible threat from composites to aluminium's traditional dominance in the aircraft industry, the aluminium producers have re-doubled their research efforts into the use of aluminium lithium alloys as a way of cutting weight.

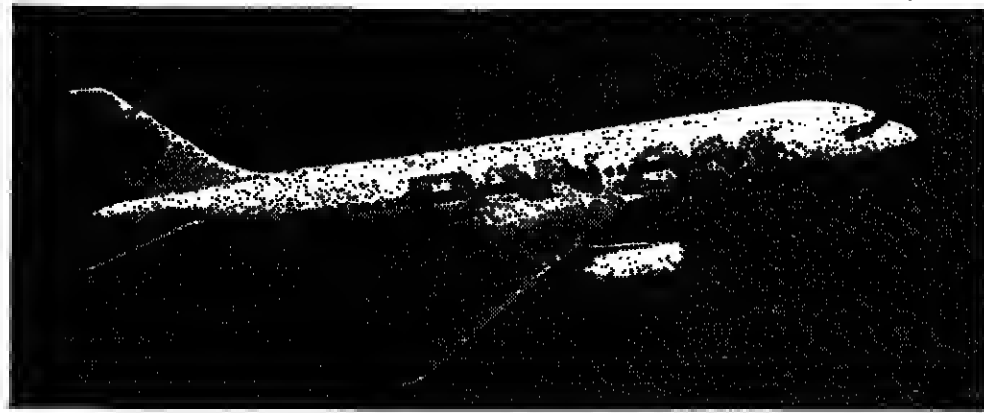
A fierce commercial battle is now under way between several of the main primary producers of aluminium metal — Alcan, the Canadian company; Alcoa, of the U.S. and Pechiney of France — all of which are striving to perfect production techniques for aluminium — and to exploit the properties of the new alloy commercially.

Evaluation

The aim is twofold: to be first to get useful quantities of aluminium lithium ingots and billets to the aerospace companies, the biggest potential users, for experimental and evaluation purposes; and to develop a capability for the large-scale production of aluminium lithium.

Lithium itself is the third lightest element after hydrogen and helium, and the lightest metal of all with about half the density of water. However, because of its highly-volatile nature, it is extremely difficult to handle.

The use of 1 per cent of lithium in aluminium alloys gives a 3 per cent reduction in



The Airbus Industrie A320, which includes use of lithium alloys in its fuselage

alloy weight and a 6 per cent increase in rigidity. In practical terms, the substitution of a conventional alloy by aluminium lithium can lead to a 10 per cent to 15 per cent reduction in the weight of an aircraft structure.

In aerospace, one of the most important advantages of aluminium lithium alloys is that potentially they can be substituted directly for aircraft structural components made of conventional alloys. No re-drawing of the components is necessary and the substituted component will be lighter and stronger and will take up no more room than an existing component.

Aerospace designers who want to produce components in aluminium lithium with the same strength as a conventional alloy component will be able to do so by reducing the size of the component in the new alloy. The new part will again be lighter than the conventional alloy component.

Smaller components could lead to smaller aircraft. The aerospace industry is already moving in the direction of smaller aircraft, in the military and civil sectors, and so the prospect of smaller components of equal strength with existing larger components is of considerable interest.

One of the needs for such components is created by "active control technology" (ACT), in which mechanical links to wings are replaced by electronic signals which instantaneously correct the flight of the aircraft.

British Aerospace is already evaluating aluminium lithium for its Experimental Aircraft Programme (EAP). This calls for an active control aircraft

designed to test new concepts including new alloys and composite materials.

So far, the amount of the new alloy available to aerospace companies has been small compared with tonnages of aluminium metal and conventional alloys used in the industry. The new alloy has been made available largely for test and evaluation purposes.

Production scheme

The French aluminium company, Pechiney, claimed at the Farnborough Air Show in September that its subsidiary, Cegedur Pechiney, started pilot commercial production of aluminium lithium alloys that month.

The future of aluminium lithium in aerospace applications, while bright, is not yet guaranteed. The aircraft companies need to know that the alloy can be cast, drilled, bent and in general fabricated, without suffering unacceptable loss of its mechanical integrity.

The aluminium companies are as yet, therefore, producing aluminium lithium only in relatively small quantities.

The first prototype semi-finished rolled products and die-forgings in aluminium lithium were produced in Cegedur's plants at Isoire, France. The company's foundry capacity is 1.2 tonnes per casting and it plans to expand this capacity to meet the needs of the aircraft industry.

Alcan International, the research company of Alcan Aluminium, is building a "design and demonstration" unit at the Alcan Plate works at Kitts Green, Birmingham, to produce cast aluminium lithium alloys. The plant is

designed to produce production size Alcan "Lital" slabs and billets in aluminium lithium, initially up to 3 tonnes weight. The company claims this covers 98 per cent of the aerospace requirements for plate.

Installation work at Kitts Green is proceeding with a view to the plant's coming into operation in early 1985. The design and demonstration "melting facility" will enable Alcan to further its development programme for "Lital" production.

The unit will also enable Alcan companies to manufacture and supply production tonnages of plate, sheet, extrusions and wire in aluminium lithium alloys.

The Aluminium Company of America (Alcoa) is aiming at a similar timetable for the production of aluminium lithium alloys. The company said at Farnborough that its "Alitha-lite" alloys will become available "in limited quantities" in the first quarter of 1985, months earlier than originally planned.

The earlier availability has been made possible by Alcoa's decision to invest a further \$10m to expand its \$50m development facility for Alitha-lite alloy ingot casting, near Pittsburgh. Ingots up to 9 tonnes (20,000 pounds) eventually will be cast there, and the capacity created to supply a full range of plate, extrusion and forging product sizes in the new alloy.

The company says the development is an "interim step" to respond to its customers' "intense interest" in the new alloys. "We expect the output from our expanded facility to substantially exceed the known demand for test and evaluation materials," Alcoa says.

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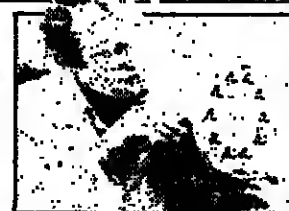
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Aluminium 8

Busy secondary smelters erode profit margins

FOR THE secondary aluminium industry 1984 has seen a fall back from the buoyant trading conditions enjoyed throughout 1983. This year prices have dropped alarmingly from the highs reached over the preceding 12 months and this despite the fact that overall levels of activity have been maintained at reasonably healthy levels.

In 1984 the scrap and secondary alloy markets have suffered from the over-enthusiastic purchasing by consumers during last year's ebullient price rises. Consumption levels this year have dropped accordingly as consumers worked off their stocks and turned increasingly to purchasing on a hand-to-mouth basis as prices turn downwards.

The problems of the business have been exacerbated by the actions of the secondary smelters, which have chosen to ignore the market's price signals and held up production levels at rates which were appropriate last year but may be rather over ambitious for this year's more stable market.

Given the nature of the secondary aluminium business, a fall-back from the price levels enjoyed in 1983 was almost inevitable; but the degree of the decline which has seen scrap and secondary alloy prices drop by some 25 per cent since the turn of the year, has surprised (and disappointed) many.

In late 1982 as the overall level of industrial activity in the major Western nations began to pick up, so too did the requirement for aluminium scrap. In particular, the improvement in the motor industry had a major impact on the fortunes of the secondary aluminium sector.

In Europe, some 65-70 per cent of aluminium die-casting goes into the motor industry. As the recession lifted and consumer spending accelerated, the beneficial effects of the greater demand for motor vehicles were swiftly felt back through the industry chain. First to the secondary smelter whose ingots are processed by the foundries for the production of die-castings, and thus to the scrap merchant who supplies the scrap from which the ingot is produced.

The effects of the improvement in demand last year were magnified by the then prevailing conditions in the aluminium

market, coming as it did after two long years of recession. Stocks at all producing and merchandising sections of the production chain had run down to a minimum and the arising of new aluminium scrap had also dropped heavily in line with the general lull in business tempo.

With adequate supply simply not available to meet the burgeoning demand, the conditions were exactly right for a substantial improvement in price levels. As industry geared up during the year, this shortage of aluminium scrap eased. But the demand to feed the gathering pace of recovery continued to run ahead of the new creation of scrap generated by that higher level of activity.

Demand for scrap within the

Scrap

DAVID S. GILBERTSON

EEC was further bolstered by substantial enquiry from both Japan and the U.S. as secondary smelters in those countries struggled to find raw material to enable them to meet their own potential demand. Figures show Japanese and U.S. secondary output in the year rose some 6 per cent on 1982.

EEC scrap merchants keen to take advantage of the better prices on offer from overseas, shipped substantial quantities abroad. At length, following considerable lobbying pressure by Community smelters, the EEC moved late last year to block third country exports of aluminium scrap from the Community in the last quarter.

After the heady conditions of 1983, which saw scrap merchants and secondary smelters alike returning to highly profitable operation, 1984 was bound to be something of a letdown. And so it has proved. The "pipeline effect" of scrap shortage at the outset of an economic turnaround, had worked itself out by the first quarter of this year and the supply/demand balance in the market was quickly restored.

In addition, the precipitous collapse of primary prices this year, brought about in the main by over-enthusiastic re-commissioning of capacity by the primary majors in 1983, has effectively put the cap on

secondary price advances. Overall levels of demand for scrap and secondary ingot this year may have dropped back somewhat from the peaks of 1983, but overall consumption internationally is still holding up well.

But with secondary smelters in Europe seemingly determined to keep up high operating rates despite weaker prices, an action which in many cases is seriously eroding profit margins, the present reasonable levels of demand are proving insufficient to keep the industry in profit. Generation of new scrap is running well but the prices available in the market are providing no great incentive for merchants to collect and sort material.

Scrap availability in the European market is consequently currently somewhat limited and with little export demand to stimulate business, the upside price potential looks distinctly restricted. The Japanese—the salvation of the European market in 1983—have not been active buyers in Europe this year, having been apparently successful in picking up increased quantities of aluminium scrap from the Eastern bloc nations and Latin America and Australia. Without this impetus, general optimistic sentiment in the secondary business has been whittled away progressively over the course of the year.

The industry now faces the problem that scrap (with the primary sector still busily over-producing for the needs of the market) is being generated at a rate in excess of the needs of the secondary sector. Old scrap held back during the recession as consumers now replace cars and other consumer durable goods has also now picked up significantly, further weakening the supply/demand equation in the market. Consequently, stocks are now relatively plentiful in the system and with the primary price for the moment showing little sign of rallying, the upside potential of secondary aluminium looks distinctly limited.

Adding to the market's problems is the continuing over-capacity of secondary smelting in Europe.

David S. Gilbertson is Non-Ferrous Editor of Metal Bulletin.

Fight to boost consumption

THERE IS a growing recognition in the European aluminium industry that the days when it could confidently look forward to annual growth rates of between 7 and 12 per cent are over.

In today's economic climate, aluminium can no longer be expected to just sell itself. The industry must get out into the market place and actively promote the metal in competition with rival materials.

It was three years ago, faced with the worst recession since the 1930s, that the European aluminium industry as a whole began to get its act together, establishing the European Aluminium Association to represent the common interests of primary and secondary aluminium producers and fabricators of wrought aluminium products.

There were a number of problems which needed addressing at the European level. But the most striking statistic confronting the new organisation was the comparatively low level of aluminium consumption in Western Europe—only 13 kilos per head of population compared with 24 kilos in the U.S. and 20 kilos per head in Japan.

Aluminium producers are inclined to point to the privileged political position enjoyed by Europe's iron and steel industry for this wide discrepancy in consumption levels.

Certainly, the aluminium industry has never received anything like the same support from European taxpayers to help it weather difficult economic times.

But an opinion survey carried out a year ago by the new association also established that the European industry's awareness of the potential benefits of using aluminium in a wide range of applications was nothing like as high as it could have been.

Further, it is the case that Europe's overall consumption figure masks significant differences between the levels of aluminium use in individual European countries. Per capita consumption in West Germany, for example, at 19 kilos per head, is not very far below that of the U.S. and Japan. But in France, consumption is only 12 kilos per head while in the UK it is 9 kilos per head.

Last July, the European Association launched an "Aluminium for Europe" campaign aimed at spreading the aluminium message to users and potential users in 14 European countries inside and outside the EEC.

Besides identifying the present and potential range of applications in industries as diverse as engineering, building, packaging and transport, the campaign is also emphasising

the security of raw material supply (known world bauxite reserves are being mined at the rate of only half a per cent a year), and the metal's energy-saving and recycling potential.

Aluminium producers see particular scope for growth in the transport industries. The aircraft industry already uses

strengthening that over the life span of a vehicle, aluminium's lighter weight means that this higher cost will be repaid several times over in lower running costs, longer shaft life, and easy maintenance and handling.

Further, it is pointing out that at the end of a vehicle's life, the resulting scrap will have a far higher value.

At present, about one-quarter of Europe's aluminium demand of 4m tonnes a year is met from recycled metal. It is a valuable resource since it requires only 5 per cent of the energy required to produce primary aluminium to convert it back into useable metal. Production of secondary aluminium in Europe moreover is growing up by 30 per cent over the past 10 years.

And whereas scrap aluminium was once considered fit only for rough castings, techniques have improved and it is now being used by the extrusions industry.

But Europe still has a long way to go to develop the sophisticated aluminium recycling infrastructure to be found in the U.S. Whereas the American beverage industry has gone over almost exclusively to aluminium cans—enabling brewers and soft drink manufacturers to operate profitable recycling schemes in conjunction with leading pro-

ducers—in Europe the competition from rival packaging materials has been such that aluminium has never succeeded in penetrating more than 50 per cent of any one market. This has not been conducive to a viable "cash a can" scheme.

The picture could change. The Swedish Government has just signed an agreement with its local aluminium producer aimed at achieving 75 per cent recycling within the next four years and a similar move is afoot in Austria.

In the UK, following Alcoa's decision to withdraw from can body stock and wind up its cash-can recycling efforts, the industry has got together to establish the Metal Recycling Company which, as a first step, intends to introduce "reverse vending" machines which accept empties and pay out money for them in a number of supermarket areas in the Birmingham area on an experimental basis.

Lurking in the background is the European Commission which, five years ago, published a draft directive aimed at banning all non-returnable beer, beverage and liquid containers as an environment improvement measure.

The proposal ran into a great deal of opposition and has since been watered down

European image

ROBIN REEVES

aluminium in some 70 per cent of its components and the development of new lithium aluminium alloys, giving an even more advantageous strength-to-weight ratio, promises to ensure that the metal keeps abreast of competition from rival materials such as carbon fibre and high-temperature plastics.

But other forms of transport, and notably the motor industry, have not so far embraced the metal as enthusiastically as they might. In seeking to persuade vehicle manufacturers to incorporate more aluminium in their designs, the aluminium industry accepts that the initial cost of its components will be higher than those of steel, because of the additional energy required to produce aluminium. But it is

Stocks cut to achieve 'normal' prices

PROFILE

V.A.W.

PETER BRUCE

LIKE MOST of its European counterparts, West Germany's major aluminium producer, Vereinigte Aluminium-Werke (VAW), ploughed on through the two lean years to the end of 1982 with only marginal cuts in output and a dramatic build-up in stocks.

In 1982, VAW's production of primary aluminium, at 352,000 tons, outstripped total sales, by some 23,000 tons.

If the LME price is any guide to the state of the industry, aluminium is once again floundering in something of a trough. This time though, like most Western producers, VAW is achieving better prices than those the LME trades at, the West Germans are ready.

"It's quite simple," says Dr Hansgeorg Seebauer, an executive board member. "What we are doing now is cutting back on production."

With only thinly-disguised irritation at the lower (LME-tied) prices at which many new producers, mainly in developing countries, have to sell, Dr Seebauer insists that if the other major Western producers do not lower production in order to pump up prices, VAW would still be able to manage on its own.

He is probably right. The first, and least important, reason being that VAW is ultimately owned by the state energy, chemicals and aluminium holding company Vereinigte Industrie-Unternehmungen (VIAG). Profits from VIAG's other interests have played a part in absorbing VAW losses in the past.

Probably more important is the fact that VAW's four wholly-owned smelters in West Germany (theoretically capable of producing 370,000 tons of primary aluminium a year), plus its own third stake in Hamburger Aluminium's smelter, produce mainly for the group's own downstream finishing plants.

VAW and VAW Lightmetals merged formally at the beginning of 1983, giving a total

group capability from primary metal to strip, rod, cable, flexible packaging, extrusions, forgings and alumina-based products, including ceramics. The group also has small alumina interests in Guinea, West Africa.

This level of integration within the group, and close relations with other traditional customers in the country, including the powerful motor industry, should allow VAW to regulate its response to the downturn far more easily than if it were operating, for instance, in an over-competitive export market.

The group is currently cutting back production by 10 per cent. Whether capacity that is cut in the present squeeze will be reopened later is unclear. Plans have already been announced to cut some 15,000 tons at the ageing Lippewerk smelter in Lünen, which could effectively

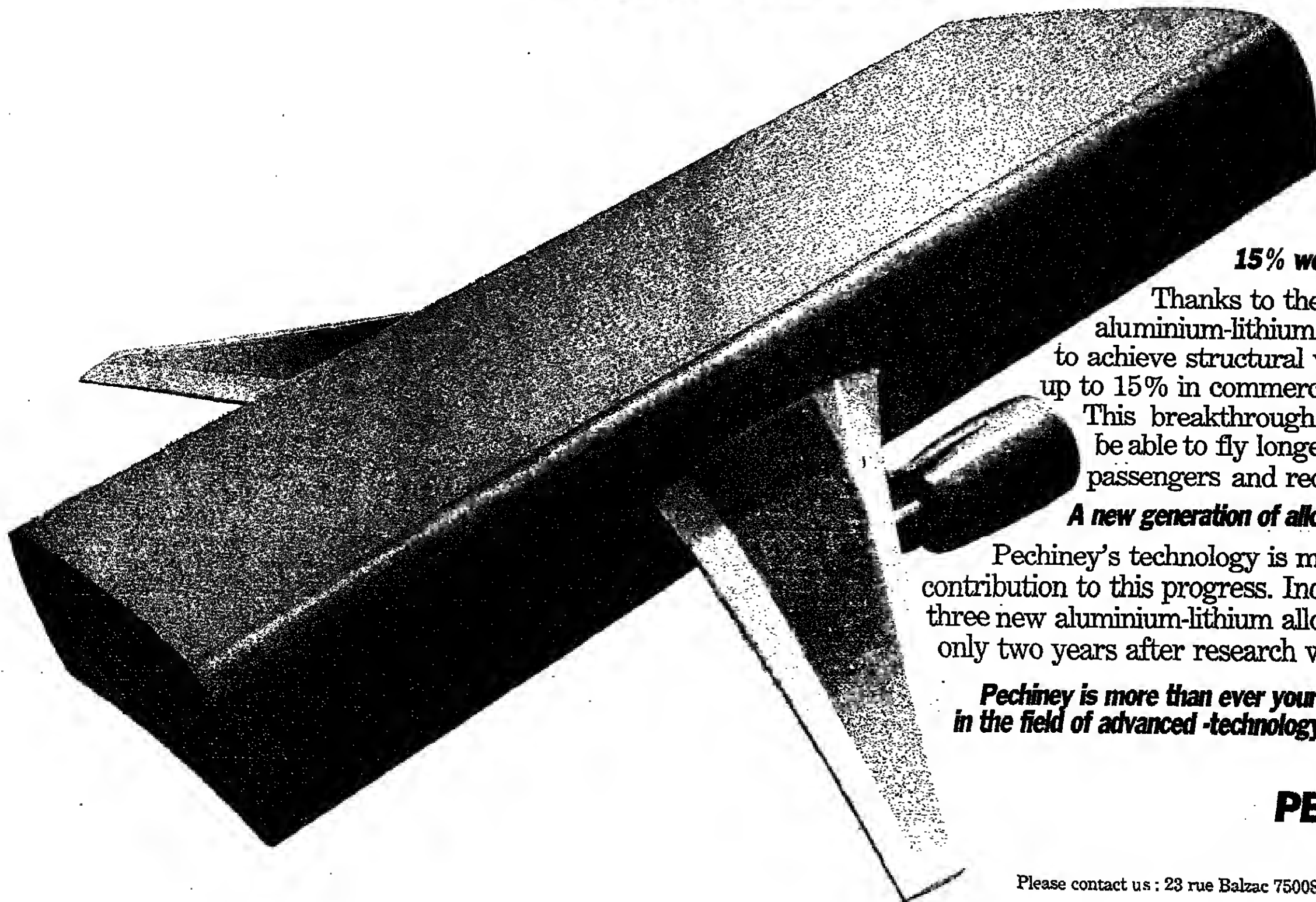
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Nevertheless, Dr Seebauer claims VAW is expecting "its best year ever" in 1984, though largely because of the strong performance in the first half. Output of primary metal in the first six months of this year was 200,700 tons, some 12 per cent higher than the same time last year.

Last year's operating profit of DM 19.5m (\$6.5m) coming after a loss of more than DM 24m in 1982 must have been relief enough for executives and the group's 10,000 employees.

If Dr Seebauer's belief that the first quarter of next year could see the start of a new recovery—and it seems likely VAW will begin to build up some stock towards the end of this year—proves true, it might be read as evidence that the industry, or parts of it, is gradually beginning to read its market correctly once again.

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